

HOW SOUTHERN CALIFORNIA FREIGHT TRANSPORTATION CHALLENGES IMPACT THE NATION

(113-21)

FIELD HEARING
BEFORE THE
PANEL ON
21st-CENTURY FREIGHT TRANSPORTATION
OF THE
COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRTEENTH CONGRESS
FIRST SESSION

MAY 30, 2013 (San Bernardino, California)

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**Committee on Transportation and Infrastructure
U.S. House of Representatives**

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Washington, DC 20515

May 24, 2013

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Ranking Member

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James H. Zola, Democratic Staff Director

SUMMARY OF SUBJECT MATTER

TO: Members, Panel on 21st Century Freight Transportation
FROM: Staff, Panel on 21st Century Freight Transportation
RE: Panel Field Hearing on "How Southern California Freight Transportation Challenges Impact the Nation"

PURPOSE

The Panel on 21st Century Freight Transportation will meet on Thursday, May 30, 2013, at 1:30 p.m., at the historic Santa Fe Depot located at 1170 West 3rd Street, San Bernardino, California, to receive testimony related to the ways in which Southern California freight challenges impact the Nation. At this hearing, the Panel will receive testimony on the current operation of the freight network in Southern California, the unique challenges that impact its performance, and how these issues resonate throughout the rest of the Nation's freight system. The Committee will hear from Kome Ajise, Deputy Director for Planning and Modal Programs for the California Department of Transportation; Hasan Ikhrata, Executive Director of the Southern California Association of Governments; Marnie O'Brien Primmer, Executive Director of Mobility 21; Scott Moore, Vice President for Public Affairs of Union Pacific; Mike Fox, President and CEO of Fox Transportation; and Rick Richmond, former Chief Executive Officer of the Alameda Corridor-East Construction Authority.

BACKGROUND

Every year, the Nation's freight transportation system moves billions of tons of goods valued at tens of trillions of dollars.¹ Because the United States supply chain is so interconnected, issues that impact one region of the country inevitably have a ripple effect through the entire network. This is certainly true in the case of Southern California, where nearly 40 percent of the goods imported through the region move east of the Mississippi River and where exports from every region of the United States travel through Southern California ports en route to foreign markets. The issues that impact Southern California have a direct impact on the economic competitiveness of states across the Nation.

¹ Statistics used in this memorandum are taken from materials published by the Port of Los Angeles, the Port of Long Beach, the Southern California Association of Governments, and Mobility 21.

The Southern California Freight System

Southern California is one of the most important trade gateways in the entire country. The freight system in this region is truly multimodal, incorporating deep-water marine ports, international border crossings, interstate highways, multiple Class I railroads, numerous state highway routes and local collectors, air cargo facilities, intermodal facilities, and distribution and warehouse clusters.

These facilities combine to create over 60,000 direct jobs at the ports, airports, and border crossings and over 1.6 million trade-related jobs throughout Southern California. This industry brings in over \$30 billion in local, state, and federal tax revenue every year. Supported by the freight facilities in the region, Southern California enjoyed over \$90 billion in manufacturing activities in 2010, making it the third-largest manufacturing region in the Nation.

Highways

A significant amount of the region's goods movement is associated with local pickup and delivery, construction, utilities, agriculture, and other related services. All of these activities rely on trucks and on a reliable network of local connectors, state routes, and interstate highways. The nearly 4,000 miles of state and interstate freeways in Southern California support a myriad of activities. Some of the primary freight uses of the Southern California road network include trips to deliver raw materials to local businesses and industries, trips to serve the large consumer base in the region, trips associated with international goods movement through the ports and the border crossings, trips to and from the regional airports, and trips to and from the intermodal rail facilities in the area.

Railroads

There are two Class I railroads that operate in Southern California—Union Pacific and Burlington Northern Santa Fe. Both railroads operate intermodal terminals that serve container and trailer freight, classification yards for traditional rail carload commodities, and automobile terminals for trains carrying automobiles. In 2010, these two railroads handled over four million international and domestic containers and truck trailers at their regional intermodal terminals. In addition to the two Class I railroads, there are also three short-line railroads that operate in the region, providing a mix of services to connect shippers with the long-haul Class I rail system.

Ports

The Port of Los Angeles and the Port of Long Beach are located adjacent to each other in the San Pedro Bay. Taken together, the San Pedro Bay Port Complex is the eighth largest port facility in the world, handling over 14 million twenty-foot equivalent units (TEUs) in 2011. The port complex contributes over \$400 billion in trade to the United States economy each year.

The Port of Los Angeles is 7,500 acres in size and includes 43 miles of waterfront. There are 270 berths at the port, and the port is dredged to a 53-foot draft. In 2011, the port handled 7.9 million TEUs of traffic and contributed \$260 billion in trade to the Nation's economy. The Port of Long Beach is 3,200 acres in size, contains 80 berths, and is dredged to 50 feet. In 2011,

the port handled 6.1 million TEUs of traffic and contributed \$155 billion in trade to the Nation's economy.

Air Cargo

In Southern California, most regional air cargo is transported in one of three ways—as belly cargo in a passenger aircraft, by an integrated intermodal service like FedEx or UPS, or by a dedicated air cargo carrier. Both Los Angeles International Airport and Ontario International Airport have significant freight facilities.

Los Angeles International Airport has three dedicated cargo centers (the Century Cargo complex, the Imperial Cargo complex, and the Imperial Cargo Center). In addition, air freight is loaded in the passenger terminals when being transported as belly cargo in passenger aircraft. Ontario International Airport has a nearly 100,000-square-foot cargo center to support all three types of air freight. Moreover, UPS has a 156-acre distribution center adjacent to Ontario International Airport, and there is a planned 94-acre air cargo site at the airport that is under development.

The Impact of Southern California Freight Challenges on the Nation

More than 43 percent of the Nation's containerized imports enter the country through Southern California. The import and export traffic of the Southern California ports benefit the residents of every region of the United States. Goods imported and exported through Southern California make their way to and from each state, supporting billions of dollars of local economic activity and millions of jobs. Of the goods imported through Southern California, almost 40 percent travel east of the Mississippi River. The proximity of a particular geographical market to the Southern California region does not have a direct bearing on the percentage of Southern California imports consumed by that market.

When congestion, bottlenecks, and other inefficiencies hinder the Southern California region's ability to import goods through its maritime ports and international border crossings or its ability to move these goods through the region, costs rise and transit-times increase. These costs are often passed on to consumers. Consequently, the level at which the freight network functions in Southern California tangibly impacts the lives of consumers all across the Nation.

Furthermore, according to a recent study, more than 16 million jobs in the United States depend on imports.² This study does not even take into consideration the millions of domestic manufacturing jobs that rely on an efficient freight transportation network to export American-made goods. In 2011, the Nation's transportation system moved 17.6 billion tons of goods, valued at over \$18.8 trillion. Given the connected nature of the Nation's supply chain, the issues that impact the Southern California region's freight system have a direct impact on the economic competitiveness of states thousands of miles away.

² Journal of Commerce Staff, *Study: Imports Support 16 Million U.S. Jobs*, May 6, 2013, available at http://www.joc.com/international-trade-news/trade-data/united-states-trade-data/study-imports-support-16-million-us-jobs_20130506.html.

WITNESS LIST

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Hasan Ikhrata
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Marnie O'Brien Primmer
Executive Director
Mobility 21

Scott Moore
Vice President for Public Affairs
Union Pacific

Mike Fox
President and CEO
Fox Transportation

Rick Richmond
Former Chief Executive Officer
Alameda Corridor-East Construction Authority

HOW SOUTHERN CALIFORNIA FREIGHT TRANSPORTATION CHALLENGES IMPACT THE NATION

THURSDAY, MAY 30, 2013

HOUSE OF REPRESENTATIVES,
PANEL ON 21ST-CENTURY FREIGHT TRANSPORTATION,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The panel met, pursuant to call, at 1:30 p.m., at 1170 W. 3rd Street, San Bernardino, California, Hon. John J. Duncan, Jr. (Chairman of the panel) presiding.

Mr. DUNCAN. The panel will please come to order. Good afternoon, and I want to welcome everyone to this field hearing before the Transportation and Infrastructure Committee's Panel on 21st-Century Freight Transportation.

Before we begin, the first order of business is to ask unanimous consent that Representative Grace Napolitano be permitted to join the panel for today's hearing. Hearing no objection, that will be so ordered.

This special panel was created by Chairman Shuster and Ranking Member Rahall of the Transportation and Infrastructure Committee to examine the current state of freight transportation in the United States and how improving freight transportation can strengthen the United States economy.

We have traveled to southern California because this region is one of the most important trade gateways in the entire country. There are many facilities in this area, as all of you know, that are critical to the efficient movement of goods into and out of and around the Nation. While we have the best system in the world, we always have to seek to try to do better, do more, and improve it constantly.

The freight system in this region is truly multimodal, incorporating marine ports, border crossings, interstate highways, multiple Class I railroads, numerous State highway routes, air cargo facilities, intermodal facilities, and distribution and warehouse clusters. More than 43 percent of the Nation's containerized imports enter the country through southern California and go all over the place. We heard yesterday that coming into the Ports of Long Beach and Los Angeles, that 75 percent of those goods go out to all across the Nation. They make their way to every State, every congressional district, supporting billions of dollars of local economic activity, and millions of jobs. The southern California freight

network tangibly impacts the lives of customers all across this Nation.

We have an excellent panel of witnesses before us today. I am confident that they will be able to help us understand the unique freight transportation challenges facing southern California and how those issues impact the rest of the Nation.

Let me just add a few things. I am in my 25th year in the Congress. I have participated in field hearings on all sorts of topics all across this country. Ordinarily, any committee in the Congress is lucky to have two or three Members travel and take time out from their districts or their family time to come participate in extra field hearings over and above what we do in Washington. I am amazed that 10 of the 11 Members appointed to this panel came to participate in our activities here in southern California.

And then we have had local representation. Congressman Lowenthal has participated. Congresswoman Napolitano is with us today. I know Members of Congress sometimes are criticized. But I can tell you, to stay in office with just a 2-year term, you have to work nights and weekends and holidays. And I can also tell you that every Member of Congress, if they want to stay in office, they have to spend a lot of time at home in their districts, and all of these Members have taken time out that they could have been or should have been in their districts, or even perhaps on vacation. I think Congresswoman Hahn rearranged a vacation that she had planned, and we certainly appreciate that. These are dedicated Members.

We are trying to learn. We want to hear specific suggestions. We hope that you will come up with some specific ideas or suggestions for things that need to be done, ways to make things better.

I am going to introduce the witnesses in just a few minutes. First, before I call on the ranking member, Mr. Nadler, yesterday we were in Congresswoman Hahn's district and I had her welcome the group to her district, and I would like to call on my friend, Congressman Miller, to make whatever comments he wishes to make at this point.

Mr. MILLER OF CALIFORNIA. I would like to welcome you to the 31st Congressional District, known as the Inland Empire. As we sat at the harbor yesterday, we looked at the containers, where 80 percent were coming through my district, either to stay here or just pass through, and the impact is dramatic.

I would like to thank SANBAG, Ray Wolfe and Wendy Strack for their hospitality here. They put this event on. This is very last moment, and we appreciate that opportunity.

I remember back in 1999, Mr. Chairman, the first field hearing you had was in my district also, at Ontario Airport. That was the 41st Congressional District. Now your first field hearing again is in the 31st Congressional District. So I want to welcome you and my colleagues.

It is important that you see the impact that we face in southern California from the amount of cargo that is shipped through our areas and the needs we have to deal with air pollution and the quality of life and the freeway traffic we have.

And I have some good friends, former manager of the L.A. Dodgers, Fred Claire, is here.

Stand up, Fred.

This is our Dodger buddy here.

[Applause.]

Mr. MILLER OF CALIFORNIA. I have some good friends, Supervisor Ovitt here, some other Members, friends of mine, and just welcome to the 31st Congressional District.

Mr. DUNCAN. Well, I can't resist telling you this. I spent 5½ years as batboy for the AA Knoxville Smokies baseball team.

[Laughter.]

Mr. DUNCAN. I think I should be in Cooperstown, because I don't think anybody was ever a batboy that long. But back in those days, minor league baseball was really minor league, and I did it the first season and a half for free and the next four for \$1.50 a game. They couldn't get anybody else to do it that cheaply.

But we had a dinner in my district a year and a half ago, and Pete Rose, the famous baseball player, sat next to me at the head table. He was the main speaker. I told him I had been batboy for the Knoxville Smokies when he played for the Macon Peaches, and I was probably 12 or 13 at the time. But when he got up to speak, he said, Congressman Duncan, he said I wish you were a Senator. But then he said, but you were 9 years old when I played at Macon? He said, what the hell happened to you? He said, I thought I was sitting next to Colonel Sanders up here.

[Laughter.]

Mr. DUNCAN. I still love baseball.

[Laughter.]

Mr. DUNCAN. Let me just say one other thing before I call on Mr. Nadler. People get the wrong idea. They think we all hate each other in Washington, and that is so untrue because most of us get along really well with each other. That is especially true on the Transportation and Infrastructure Committee, because we frequently say that there is no such thing as a Republican road or a Democratic road or various things. So even though I am sometimes referred to as the chairman of this panel, I consider myself to be the Republican cochair, and Jerry Nadler from New York to be the Democratic cochair. So I consider him of equal rank to me, and I would like to call on him at this time.

[Applause.]

Mr. NADLER. I thank you for your graciousness, Mr. Chairman. Mr. Chairman, thank you for yielding the time.

Last month, at the first hearing of the Panel on 21st-Century Freight Transportation of the House Committee on Transportation and Infrastructure——

Mr. DUNCAN. It is a New York phone.

[Laughter.]

Mr. NADLER [continuing]. I noted that we needed to examine freight challenges across the entire supply chain and develop multimodal freight solutions. Mr. Chairman, thank you for your leadership in bringing the House Transportation Committee's Panel on 21st-Century Freight Transportation to southern California, because we have seen firsthand some of the challenges and solutions of moving goods through the supply chain by air, water, rail, and highway.

Yesterday, we toured the Ports of Long Beach and Los Angeles, the eighth busiest port complex in the world, and learned of their logistics operations in moving 14 million TEUs from vessels that get bigger and bigger with each passing year. Today we saw firsthand how that freight must move from the ports to the Los Angeles Basin, through the Alameda Corridor, the Alameda Corridor-East and Colton Crossing to the Inland Empire and east to the rest of the Nation.

Whether at LAX, the port complex, or the Alameda Corridor and ACE, a common thread found in each of these meetings is the critical role that these transportation facilities play in creating jobs and growing the economy not only in southern California but of the entire country. Moreover, time and time again we have heard that the Federal Government plays an important catalytic role in helping to finance these critical transportation investments.

Replacing the Gerald Desmond Bridge, which we are told carries 15 percent of all the freight in the country, with its crumbling concrete and low clearances, with a \$1 billion new span is clearly important to the Port of Long Beach in southern California, but it is also critically important to goods movement in the entire country.

Making the highway rail grade crossing investments of the Alameda Corridor-East project is important to the San Gabriel Valley, but without this investment traffic delays at crossings could increase by 300 percent, and that is a grave concern not only for southern California but to the manufacturers awaiting parts in Kansas City and elsewhere.

These projects, both of which received large congressionally directed Projects of National and Regional Significance funding in 2005, clearly illustrate the catalytic role that Federal investments can play in financing freight projects.

Moreover, as we have heard throughout this visit and we will hear again from our witnesses today, it is extremely difficult for individual States to dedicate a significant part of their limited infrastructure investment resources to one of these high-cost projects because freight does not vote. We have often said this country is governed by a one-person, one-vote rule, but not a one-container, one-vote rule, and freight, as a result, sometimes gets short shrift.

The cost of these projects are extremely high, often in the billions of dollars, and the benefits are diffuse. Thus, States are often unwilling to expend their limited Federal and State resources on these big-ticket investments, especially when voters are much more interested in seeing ribbon cuttings that will benefit them directly for things like highways, mass transit, and commuter rail.

However, the Federal Government can weigh the broader job creation, economic, environmental and trade export benefits of these projects. It is for these reasons that I strongly support providing guaranteed Federal funding and a robust program of guaranteed Federal funding for the Projects of National and Regional Significance Program. In addition, we should focus these investments on freight projects that will greatly benefit the Nation. It is our opportunity, this special task force, to give freight a vote. We can be the catalyst to get the economy moving again and provide for the long-term economic growth of the Nation.

But we must provide, in the next transportation bill, in my opinion, and I hope the witnesses will address this, a program for investments of national and regional significance, and a well-funded one.

Mr. Chairman, thank you again for leading this enlightening committee visit, and I look forward to our witnesses' testimony.

Mr. DUNCAN. Well, thank you very much.

Before we get to the next person, let me just very quickly introduce the members of this panel. Most of you or many of you probably know Congresswoman Janice Hahn, who headed up our program yesterday.

Congressman Albio Sires from New Jersey.

Congressman Dan Lipinski from Chicago.

Most of you know Congresswoman Grace Napolitano from southern California.

Congresswoman Corrine Brown from Jacksonville, Florida.

You just heard from Congressman Jerry Nadler.

You know Congressman Gary Miller.

Congressman Richard Hanna from New York, just outside of Syracuse.

Congressman Markwayne Mullin, who is a very successful businessman, but also a former rodeo bull rider.

[Laughter.]

Mr. DUNCAN. So we have a wide variety on this panel.

Our witnesses today. The first witness is Mr. Kome Ajise, the deputy director for planning and modal programs for the California Department of Transportation.

The next witness is Mr. Hasan Ikhrata, executive director of the Southern California Association of Governments.

Ms. Marnie O'Brien Primmer, who is the executive director of Mobility 21.

Mr. Scott Moore, vice president for public affairs of Union Pacific Railroad.

Mr. Mike Fox, CEO of Fox Transportation.

And finally, Mr. Rick Richmond, former chief executive officer of Alameda Corridor-East Construction Authority.

So all of your full statements will be placed in the record, as is traditional in all hearings. We ask that you limit your oral presentations to 5 minutes.

And, Mr. Ajise, we will start with you, please.

TESTIMONY OF KOME AJISE, DEPUTY DIRECTOR FOR PLANNING AND MODAL PROGRAMS, CALIFORNIA DEPARTMENT OF TRANSPORTATION; HASAN IKHRATA, EXECUTIVE DIRECTOR, SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS; MARNIE O'BRIEN PRIMMER, EXECUTIVE DIRECTOR, MOBILITY 21; SCOTT MOORE, VICE PRESIDENT FOR PUBLIC AFFAIRS, UNION PACIFIC RAILROAD; MICHAEL K. FOX, CHIEF EXECUTIVE OFFICER, FOX TRANSPORTATION; AND RICK RICHMOND, FORMER CHIEF EXECUTIVE OFFICER, ALAMEDA CORRIDOR-EAST CONSTRUCTION AUTHORITY

Mr. AJISE. Thank you very much, Chair Duncan and Ranking Member Nadler, for coming out here, distinguished panel members.

It is our delight to have you here in California, and especially in southern California.

We appreciate the opportunity to testify before you. We feel like it is a recognition of this panel's—the panel's recognition of the critical nature of southern California's place in the national freight system is why we are here today, and we really appreciate that. It is our hope that such awareness by this panel and the work of this committee will result in a stronger Federal partnership in developing a freight movement infrastructure, especially in southern California.

With the Los Angeles region having the sixth largest economy in the world, southern California's freight transportation challenges are indeed the Nation's challenges. Fortunately, the Nation is exceptionally well served by the complex and continually improving southern California freight system. The region's seaports, airports, ports of entry, railroads, roadways, and intermodal yards, as well as trans-loading facilities and warehouses not only support the freight mobility that serves approximately 40 percent of the Nation's international container shipments, but it also clearly is the greenest and the cleanest of any part of the national system, if not on the planet.

This unparalleled freight volume that we have coming through southern California does indeed present challenges to the region, but also impacts the Nation. The State of California and the southern California region have been very proactive in addressing many of those challenges, resulting in reduced regional impacts and sustained benefits to the Nation.

There is also a need for a stronger Federal presence, we believe, and a need for a greater level of Federal fiscal involvement in addressing the southern California freight issues as a result. We believe a dedicated source of freight funding is needed that does not siphon funding from other transportation funds that are also very important.

As the ninth largest economy in the world, California has long recognized the need to support the freight industry so that our economy will continue to be a global leader. In 2007, the State issued a comprehensive State freight plan known as the Goods Movement Action Plan. In many respects, we think the GMAP, or the Goods Movement Action Plan, has been a template for some of the policies that have come out in MAP-21, and we are gratified by that.

California's adoption of the Goods Movement Action Plan had a companion fiscal element that brought new State revenues through a voter-approved bond process to the table. In 2006, Prop 1-B bond program devoted \$2 billion to the Trade Corridor Improvement Fund. The bond funds attracted a wide range of additional private, local, regional and Federal funds, resulting in a current program of about 69 freight projects valued at about \$6.5 billion, with the majority of those projects in southern California.

The Trade Corridor Improvement Funds project included seven seaport projects to the tune of \$1.3 billion; six railroad projects, about half-a-billion of that; about 28 railroad grade crossing projects, about \$2 billion of that; and about 15 highway projects, to the tune of about \$1.4 billion.

MAP-21 includes designation of a national priority freight network that will consist of no more than 30,000 highway miles nationwide. Our department and some of our regional partners have analyzed California's highway system to identify which routes carry the highest truck volumes. One of the significant challenges we have in southern California is that some of the most critical high-volume routes are not interstate highways. They are State highways that may be overlooked as part of the national freight policy consideration because the data that we are using to determine those are not typically ones that are collected by the Federal Highway Administration, especially under the freight analysis framework.

Of particular concern to us in southern California are State Routes 57, 58, 60 and 91, among many others. These are high-volume State routes that are not interstates that do indeed carry and shoulder a lot of the freight volume in southern California, and most of this volume, as the chairman has stated, are goods moving out of the State to other parts of the country.

In a related matter, the vast majority of the containerized cargo that comes into and leaves the ports are packed into standard 20- or 40-foot marine containers. Many of these containers arrive in other ports, are loaded directly onto trains at the ports and are hauled to locations throughout the country. Many more of these containers are transported by truck to trans-loading facilities where they are unloaded and repacked into 53-foot containers that are put on tractor rigs and then trucked to distant locations. The truck trips between the ports and these trans-loading facilities are not counted. So these are also elements of the system that are left out.

In conclusion, based on the MAP-21 guidelines, the State has formed a Freight Advisory Committee to assist us in developing a freight mobility plan and to provide advice to us. This committee cuts across a large cross-section, and we expect that that group will have more to bring to the table in freight conversations.

Mr. DUNCAN. Thank you very much.

Mr. Ikhata?

Mr. IKHATA. Chairman Duncan, Congressman Nadler and Congressman Miller, distinguished members of the panel, thank you for being here. Thank you for coming to southern California. It is a privilege to be in front of you testifying about an issue that is very important to 191 cities, 6 counties, and over 18 million residents that my organization represents.

I am sure you heard a lot of the things over the past few days about how important goods movement is to southern California. What I am going to do today is present to you some of the challenges and opportunities and some of the recommendations as you work on your panel's recommendations.

Our board, which represents 191 cities—our president, Greg Pettis, is here, and some of our board members are here today—appreciate very much your work on MAP-21, the bipartisan manner in which MAP-21 was enacted. We think that work set the stage for your work now on this important issue.

Our agency, along with other agencies, has worked over the last 20 years, as Congresswoman Hahn would know in her time at

SCAG, to highlight that goods movement is an important issue. The issues we put on the table are issues that are national in nature, and not only specific to southern California. You mentioned, Chairman, 43 percent of the containers move through our largest port complex. We have the fifth largest airport that handles about \$70 billion of high-value goods. We have Port Hueneme in Ventura County, which handled about \$7 billion in 2012 of automobile and agricultural product. We have border crossings with our largest trading partner, Mexico. All of this together creates more than 60,000 jobs directly, 1.6 million jobs related, and over \$30 billion local, State, and Federal revenues. So this is not small change when we talk about our ports.

I just want you to know that in 2012, our ports handled about 12 million 20-foot equivalent units—TEUs. Any forecast you look at says that will grow—there is a national forecast which says this number is going to go to 60 million in 2020, or our Ports Capacity Forecast, which says we are going to have 42 million containers shipped through the ports by 2035. Add to that the fact that southern California is the third largest manufacturing center in the United States. It is only after the State of California and the State of Texas. All of this says that we are not only shipping the goods to the rest of the Nation, but we need the infrastructure to make sure that these goods continue to move in a very safe manner.

In the last 20 years, working with our partners, stakeholders, public and private, we put together a regional transportation plan, a freight regional transportation plan that was approved by the Federal Government and the State government, that was applauded by our partners, environmental groups, private sector, public sector, our transportation agencies. This plan identified \$60 billion worth of investments needed to make sure southern California will continue to be the gateway for the rest of the Nation.

It is important for any discussion—and I am sure you hear this, and you probably don't want to hear it anymore—but a Federal role in this important issue for our Nation is paramount. We cannot continue to slip. When you look at reports that rank our Nation's infrastructure 17th, down from 7th just 5 years ago, I am sure you don't want that. We want to be number 1. We deserve to be number 1.

Therefore, there is definitely a Federal role that our board feels very strongly that you should play, and oftentimes you probably think, oh, they are asking for money. We are not. We are asking for money, yes, but this is not the Federal role we are talking about.

Our Nation needs to continue to be competitive globally. Our Nation's competitiveness depends on how well we do in providing the infrastructure in this region.

I want to conclude by saying this. First, we all heard about the Highway Trust Fund and the fact that the Highway Trust Fund's imbalance has to be dealt with. We can't ignore it. Very soon we are going to run out of money. Now, there are all kinds of options—user fees, taxes, whatever options, a combination of all those options. But as our national leaders, you want to make sure that you balance that.

Second, a Federal funding source that does not compete with existing sources is needed for goods movement. I know we don't have enough money to fund everything, but we also have a role as a national government to play in making sure we accelerate project delivery. According to our State Department of Transportation, a major project right now takes 17 years to build. We hired six economists, independent economists throughout southern California that say if we accelerate that by 5 years, we save billions of dollars, and we create a lot of jobs in accelerating by just 5 years.

And we appreciate the Federal agencies. We know there are Federal staff here. We work well with them together. You need to empower them to do more so we can accelerate the movement that we talked about.

And lastly, the public expects us to use the dollar wisely, and one way to use that dollar wisely is to make sure when we move it, we move it fast, safe. I would ask you to support H.R. 974 that some of the members authored here that puts forth a freight fund that is competitively handled, not formula driven, based on competitive grants.

I applaud your hearing today. I appreciate being in front of you. I am grateful for you to be here, and I will be happy to answer the questions of this panel. Thank you, Mr. Chairman.

Mr. DUNCAN. Thank you very much.

Ms. Primmer?

Ms. PRIMMER. Good afternoon, Mr. Chairman, Mr. Nadler and Mr. Miller. Thank you and welcome to your district. My name is Marnie Primmer. I am the executive director of Mobility 21, and we represent 21 million Americans here in southern California, about 7 counties, from Ventura all the way down to San Diego and Imperial. One of our partners is SCAG, and I am very grateful to hear them championing one of the issues that we feel is a huge solution for freight, and that is a dedicated source of funding that is separate and apart from the Highway Trust Fund that would be used solely for freight purposes.

I have had the opportunity to meet with some of the panel members on this topic, and it is near and dear to our heart. So rather than reiterating my written testimony, which I know you all have, I wanted to focus, as Mr. Nadler requested, on the solutions for freight with the time that I have left.

While Congress authorized the Projects of National and Regional Significance, the \$500 million that was authorized was not appropriated. Obviously, that is a huge concern for our region, and we support fully appropriating the funds that would be available for the Projects of National and Regional Significance.

However, we do not view that as enough for the needs of freight. As you heard Hasan mention, in this region alone we have \$60 billion worth of projects. There are billions of dollars' worth of projects across the Nation in addition to that that need to be funded to keep our system globally competitive, and that is going to require an additional source of funding beyond those that have already been identified.

Additionally, we are extremely supportive of the expansion of the TIFIA program and the ability of freight projects to compete for TIFIA loans. However, that is a financing mechanism. It is not a

funding mechanism, and we would like to see an additional source of funding dedicated to freight that would be compiled by the local agencies such as SCAG and our transportation agencies, our ports, the Alameda Corridor-East Authority, and others here in southern California who know exactly what our community needs, and others throughout the Nation that are doing similar things now.

When you identify that freight network, as Mr. Ajise mentioned, it needs to be more than just highway lane miles. It needs to include multimodal facilities like those you have toured here in southern California over the last couple of days, but also some that you have not had a chance to visit yet, from Ventura up to our border crossings down in San Diego. So there are many other facilities that are worthy of investment right here in southern California that support trade in each of your congressional districts.

In addition to that, the dedicated source of funding that we envision would not be something that goes on *ad infinitum*. Once the projects have been funded, we envision that it would sunset. We would envision that it would be lock-boxed so that it can only be used for freight. It can't be used for some library in North Dakota someplace. We want to make sure that freight gets its due, and I applaud Mr. Nadler for taking a multimodal approach and all of you for taking time out of your districts to be here and learn first-hand why southern California really is the heart of our national freight network.

But there are issues here in southern California that you have in each of your congressional districts, and that is why there needs to be a national plan. That is why we all need to work together to make sure that the freight that starts here makes it to your district without impacting consumers, without impacting taxpayers unnecessarily.

Our region has worked together, as Hasan mentioned, in a bipartisan manner, in a public-private partnership, including the environmental community, to develop a plan that is ready and willing to put freight to work right here in southern California supporting good paying jobs. But we can't do that without a strong partnership, and I think you all being here right now is the first step towards that.

Mobility 21, as a nonprofit, has worked with stakeholders not only here in southern California but elsewhere throughout the country to really rally around this idea of a separate dedicated fund for freight, and we look forward to being a resource to you and your committee staff as you work to do the recommendations that this committee will be putting forward to the panel. Thank you.

Mr. DUNCAN. Very good. Thank you very much.

Mr. Moore?

Mr. MOORE. Chairman Duncan, Ranking Member Nadler, and members of the panel, my name is Scott Moore, vice president, public affairs, Union Pacific Railroad. I appreciate the opportunity to summarize my submitted testimony and summarize our operations in the Western U.S., as well as here in California.

Union Pacific, 151 years old. But today's railroad operates in 23 States and operates on just under 32,000 miles of track. We have 45,000 employees with about a \$4.3 billion payroll. When we talk about investing in infrastructure, our railroad across the West last

year spent about \$3.7 billion, this year will spend about \$3.6 billion. To give you an idea of what that may buy, last year we installed 4.1 million new railroad ties across our system and replaced over 1,000 miles of track, all the while continuing to invest in terminal facilities, as well as in new locomotives.

Here in California, we have over 3,200 miles of track, making us the largest railroad in the Golden State. We have an annual payroll of over \$430 million, with just under 5,000 employees. In 2012, we had capital spent in the State of California of \$376 million.

Now, our business in California is varied, but certainly intermodal is key. In our intermodal franchise, there is really two parts to it. There is the international container traffic, which you have been seeing out here, which passes through the west coast ports primarily in 20-, 40-, or 45-foot containers. The domestic business includes container and trailer traffic traveling primarily in 53-foot containers. Additionally, less than truckload and package carriers with time-sensitive business requirements are also an important part of that domestic shipment. Union Pacific overall in our system, 54 percent of that intermodal traffic is international, 46 percent is domestic.

Now, much of this intermodal traffic, of course, flows through, in and out of the L.A. Basin, and roughly half of those 5,000 employees in California are based here in southern California. In our network, we operate 10 intermodal facilities, four of which are here in the L.A. Basin. Two of those, our intermodal container transfer facility by the port and our East L.A. yard, are two of our top-producing intermodal yards. The four L.A. Basin facilities combined just do over 1 million lifts. This compares to 4 million across our system, and compares to a second one in Chicago with 1.4 million lifts.

While we have a number of routes into and out of the L.A. Basin, our main corridor is what we call our Sunset Corridor. This line runs across Arizona to New Mexico to El Paso. Once in Texas, that line branches out, where we have the ability to serve Chicago via Kansas City, Memphis via Dallas, and New Orleans via southern Texas. We have invested well over \$1 billion in the last 10 years, double tracking this line, L.A. to El Paso, and at the end of last year we were 70 percent complete.

In addition to investing in track improvements in the L.A. Basin, we are working to modernize our ICTF facility that I mentioned. By using advanced and mechanized technology, we can improve our throughput at that facility, decrease the footprint, and reduce the level of noise and lighting at the facility. We made application for this project in 2007 and are still unclear when we may be able to move forward and modernize the facility.

Beyond our investments in southern California, we have a variety of public-private partnerships that also play an important role in the Basin. Next to the CREATE project in Chicago, probably one of the country's premier public-private partnerships is the Alameda Corridor. Multiple railroads and government agencies worked together on the trench that I think many of you just went through. We also continue to work with Alameda Corridor Transportation Authority, but also the Alameda Corridor-East Construction Au-

thority, which was established to minimize the flow of goods in the San Gabriel Valley.

Most recently, we have partnered with a variety of entities on the Colton Crossing railroad project, which consists of TIGER funding, Prop 1B funding, BNSF private dollars, Union Pacific private dollars, and sponsored by SANBAG, the building we are in. Eliminating gridlock at Colton Crossing is key. It is one of the busiest graded rail intersections in the country. It will relieve rail congestion, reduce wait time and delays for motorists, and improve air quality in southern California.

In the future, the L.A. Basin will continue to be a critical point for goods movement. Even with the expansion of the Panama Canal, we expect traffic to continue to increase into and out of the L.A. Basin ports. The Basin is an important part of our system, as well as the country's freight infrastructure network.

Thank you very much.

Mr. DUNCAN. Thank you very much, Mr. Moore.

Mr. Fox?

Mr. FOX. Congressman Duncan, Congressman Nadler, and members of the committee, thank you so much for traveling to southern California. I know this is terrible weather for you, but thank you very much for coming.

By the way, Fred, Scott has a great voice. I think he is the next Vin Scully.

This is the right place for a meeting like this, in San Bernardino, the heart of the Inland Empire. The 31st District my friend Gary Miller represents is a critical district for what happens not only in this region but for the country and for the supply chain network.

In the Inland Empire, there is 1.7 billion square feet of warehouse and distribution space. It is massive and it is growing. Each day we truck 10,000 containers to the Inland Empire, and it is not an easy task. Today we have problems, and I am going to address those in my oral testimony.

In 2006, when the Long Beach and Los Angeles Port reached record numbers, we did more with the same number of vehicles and trucks than we do today. In 2006, there were five night gates. Today we only have four night gates. In 2006, the terminals were open during lunch and breaks. Now they close for 2 hours on those four night gates. That creates congestion in the terminals and a lack of productivity.

In 2006, most terminals had wheeled operations where the containers were on the wheels waiting for the drivers, and that is what drivers do: deliver. They shouldn't be sitting in the port terminals, and that is what they do today. Today it is a grounded operation at all terminals. That means as the containers come off the ships, they are placed on chassis, they are stacked, and drivers now must enter a port terminal at all 13 terminals, get in line to find a chassis, get in line to have a container stacked onto a chassis, get in another line to out-gate, and this takes about 2 hours as an average today. This is not the best utilization of the drivers' time, and it certainly affects the supply chain.

The near-term solution to this is to implement five night gates, Sunday through Thursday night. Sunday is when there is the least amount of traffic on our local freeway system, so we can deliver a

lot of freight on Sunday night. Also, we have—I won't point out the individual—we have Walmart in the audience, and they would love to have their freight on Monday mornings, which we could do if we had a Sunday night gate. Today, Walmart must wait until Tuesday morning to get their containers and work those.

If we are going to attract business to southern California and have a positive effect to the rest of the country, we need a Sunday night gate so that the large distribution centers, particularly here in the Inland Empire, can have their freight Sunday night and work their freight Monday morning when the warehouse staff comes in.

So the near-term solutions, which are not very costly, are five night gates, Sunday through Thursday; let the terminals work or demand that the terminals work throughout lunch breaks, don't shut down for 2 hours; and put the containers on wheels so that we can expedite drivers in and out of the port terminals. That is the only way to handle volumes as they grow.

In 2013, we are starting to approach the 2006 record year that was set by both ports. Now, the long-term solution has some hurdles, and Scott and I have talked about this, and there are some hurdles, but it is something that the committee should really look at, and that is the establishment of an inland port here in the Inland Empire. With the massive distribution network that we have here in the Inland Empire, we need an inland port. And the answer, gentlemen and ladies, is not sending more trucks into the port. That is not the answer. I am a trucking guy who says don't send more trucks to the port. The answer is put the containers on a train that is located within the port complex, rail those containers to the inland port here in the Inland Empire, reposition our trucks from our trucking community out here and do local trucking. We can do a lot more trucking and a lot more deliveries if we are not wasting time on public highways and sitting in lines at the port terminals.

It also creates more space for the port terminals, which they desperately need. I know we are talking about adding lanes on other freeways throughout the southern California area. In fact, the 710, we are talking about adding two lanes at the cost of \$6 billion. We probably need the lanes, but at \$330 million per mile and the time it takes to build those lanes, I think this is a much better way to use the money, and that is let's utilize the various modes of transportation, get trucks off the freeway, clean up the environment, and have better utilization of our vehicles.

I have 20 seconds left. So, Chairman Duncan, I will yield my time to Fred Claire so he can talk baseball.

[Laughter.]

Mr. DUNCAN. All right. Thank you very much, Mr. Fox.

Mr. Richmond?

Mr. RICHMOND. Thank you, Mr. Chairman and Ranking Member Nadler, and members of the committee. I appreciate also your attendance here, and certainly the turnout is really impressive.

I am going to ask if you could follow through—I have some slides that were distributed to you, and I am going to walk through them quickly. I will walk through them quickly and kind of explain what we have been up to at the ACE Construction Authority.

My name is Rick Richmond. I am the recently retired chief executive officer of the ACE Construction Authority. I appreciate the opportunity to be here.

The first slide that is in your packet is a depiction of what is called the ACE Trade Corridor, which is a four-county area involving about 280 miles of rail lines on the two railroads, Burlington Northern and UP. The area that I work for is the shaded green area. That is known as the San Gabriel Valley in Los Angeles County, but the three other counties surrounding it are also involved in the same work that we are doing.

Mention has been made of policy. There is clearly a policy in southern California to shift the modes out of the ports more in the direction of rail and away from truck, and that is a strategy that involves congestion relief, air quality improvements, and a whole lot of other related activities.

But for us involved in the communities out there along the rail lines, there are some other effects that are resulting from that. Currently on that network that you see there, there are about 100 trains a day operating, and when we say trains, we are talking about typically a mile to 2-mile-long trains. These are not minor train movements. They are major. That is projected to grow to upwards of 250 trains a day with the increase in traffic coming through the ports.

There are 131 grade crossings in that area shown on the map. So there are 131 places where the train basically stops cross-traffic to get through.

The next slide, I won't spend any time on it, but this is the program that we have adopted within our organization that was mentioned. It is a part of the overall corridor, and what you see on there are all the grade crossing locations. Everywhere you see a name is a grade crossing location, 54 of them in our jurisdiction. We have adopted a program and have been working for a number of years on a program to eliminate 24 of the 54 crossings. We are not trying to get rid of every crossing. That is not practical. So we are trying to deal with the worst, and also dealing with some safety improvements.

The next four slides I will just quickly run through. They are a status report of where we are. The next two slides are all the projects that are either done or in construction. It accounts for 14 of the 24 total number of crossings. Those are projects that are, as I say, either constructed and in service or—they are either in service or in construction.

The next slide—and I apologize for walking you through so many slides, but the next slide is five projects that we are all now in design, and those are projects that are fully funded. If you add these projects to the others I mentioned, you are up to a total of 21 crossings that we are fully funded and either have eliminated or will be eliminating.

In the final one of these slides is all of our active projects—sorry, projects that are not yet active because of basically waiting for the funding needed to finish the program. You will see on that slide that we are about \$235 million short to finish this program.

Now, the next slide, I want to get to the point of the Federal issue for us. The next slide is a pie chart of how we have funded

the program to date. We have pieced together from various sources over about a 10-year period the \$1.5 billion. And if you look at the different shares, what you will see is that the local and State are substantial. In the last few years we have gained significant support at the local and State level. The Federal number, as you'll see, is about 16 percent of our total.

Now, interestingly, we got started in this program as a result of TEA-21, an earmark, frankly, that got us started in this program. We know the discussion over earmarks. I think we are an example of how they can work well. I don't think we would have started the project without it. It got us going with \$135 million, which we have now pieced together and grown up to \$1.5 billion from all these various sources.

The point I would make as we go toward reauthorization, the Federal source is going to be—to be quite honest, we are close to tapped out from the State and local because there really aren't any in the wings. There really probably isn't a new funding source from the State and local sources—that we can count on, certainly. And we are obviously therefore focused on the reauthorization, where we think there is a good case to be made for the kind of work that we are doing.

The last slide, which I want to spend a moment on, is what we specifically would look for and suggest you consider as you go forward. As mentioned, there needs to be a freight program in the reauthorization bill. It can happen a number of ways. Congressman Sires' bill is beneficial in our view because it broadens out the scope of the existing MAP-21 discussion, which really talks about highways, and it needs to be broadened out to pick up rail, air, sea, et cetera. The freight program can operate under that legislative vehicle, but also PNRS in the past has been a source for us to get going on this program. We would look for some modifications to PNRS because right now our work is ineligible under PNRS. It is restricted to transit and certain other activities. Freight needs to be called out and, frankly, mitigation of freight issues needs to be called out because we are largely a mitigation program.

So I realize I have extended past my time, but I will conclude at that and be happy to answer any questions, and thank you again for being here.

Mr. DUNCAN. Well, thank you very much.

I am going to go to Mr. Nadler and Mr. Miller for the first questions. But let me just say, first of all, that Mr. Ikhata and Mr. Richmond both talked about the importance of the Federal role, and all of us on this committee believe that there is an important and legitimate Federal role. In fact, I have chaired three different subcommittees on this committee and I can tell you, people in California sometimes use the airports in Texas, and vice versa. People in Ohio sometimes use the roads in Tennessee, and vice versa. People in New York sometimes use our waste water and drinking water systems in Florida, and vice versa.

So there is a very important Federal role, but there is also a very important State and local role, and I am very impressed by how much your State and local governments have come up with in this area.

But this panel was given the assignment, the charge, the jurisdiction to look across all the panels, because our subcommittees are limited to the jurisdiction that they are specifically assigned to. But we have been asked to try to bring these things all together, and so that is what we are trying to work on.

Mr. Nadler?

Mr. NADLER. Thank you, Mr. Chairman.

Let me start by saying that every witness—I am glad to hear almost unanimity among all the witnesses. Everyone seems to agree that State and local funding sources are not sufficient to do the freight projects that are necessary. Everyone agrees the freight projects must be funded on a multimodal basis. Everybody agrees that we need a significant Federal source of funding to supplement State and local efforts. Everybody agrees that that funding source should be available for freight and separate from the Highway Trust. And I think I heard everybody agree that it should be done on a competitive basis and not on a State formula basis. I certainly agree with all of that.

Let me ask you a couple of specific questions before I get to the elephant in the room, a very specific question. Ms. Primmer, you said that the dedicated source of freight funding should sunset. Why should it sunset? Isn't it going to be needed indefinitely?

Ms. PRIMMER. Well, in my experience, I think because we are asking stakeholders to really step up in terms of a dedicated source of funding, their expectation is that it is not going to be forever, that it is going to fund a specific set of projects that are going to have a direct return—

Mr. NADLER. But when we finish the specific set of projects, don't you think the country will need another specific set of projects 10 years from now? I mean, is our freight network going to be finished forever?

Ms. PRIMMER. No, I do not believe our freight network will be finished forever. However, I do think that there is accountability on the part of the public sector that needs to recognize the contributions by the private sector, and the private sector is going to require a little bit of assurance from the public sector that we have done what we said we were going to do and that they have gotten a return on the investment that they are making. Part of the comfort level with the private sector in stepping up and contributing to a new source of funding is going to be the lock box and the sunset that come with the program.

Mr. NADLER. The lock box, yes. The sunset, I am not so sure.

Mr. Fox, a very specific question for you. You recommended in terms of local California, southern California issues, that an inland terminal be established, essentially. That is very interesting. You make an interesting case, but why are you telling us this? Isn't that a decision for a local government in California to make and then come to the Federal Government and say here is what we are proposing, here is why we are proposing it, and help us fund it?

Mr. FOX. Well, I think the answer probably is yes, but I think the answer also is, it is not going to work unless the Federal Government gets involved.

Mr. NADLER. Gets involved with funding it. But we should determine the policy initially?

Mr. FOX. Well, this affects the country, and I think because it does affect the country, it needs to be looked at by the Federal Government.

Mr. NADLER. OK. Thank you.

Let me ask everybody here. As I said, everybody agrees, and probably most of the people on this panel agree, not necessarily all of them but probably most, that there ought to be a dedicated source of Federal funding for what we call Projects of National and Regional Significance, which is to say freight projects that State and local governments can't handle by themselves.

The big elephant in the room is where should that funding come from. There is tremendous political opposition, obviously, to increasing the gasoline tax, to making it inflation sensitive. The Highway Trust Fund is not going to have sufficient funding from current sources. Does anybody have any suggestions as to where we should get a \$2 billion annual—somebody suggested that figure maybe should be \$3 million, or I don't know what the figure should be. But does anybody have a suggestion or suggestions, plural, as to where we can get a dedicated Federal funding source?

Mr. IKHRATA. Congressman, I would suggest that we put all of those sources that you mentioned on the table. I don't think one source is going to be sufficient and enough to fulfill the needs that we have. But I think it should be for both the public and the private sector, but all sources that we talked about, whether it is expansion of TIFIA, which was great but not enough. I think we need to enhance that program. H.R. 974 calls for a dedicated fund that various fees could be put on the table. But I don't think one source is going to cut it. I think all of these sources should be on the table for discussion.

Mr. NADLER. Anybody else comment on where we can get the funding for a dedicated source?

Ms. PRIMMER. I agree with Mr. Ikhata. We should not be looking for a magic bullet here. If there were one, we would already have it. There is going to need to be multiple tools in the toolbox.

The dedicated source of funding that I mentioned, we have been talking to some private sector stakeholders and their desire to participate. I think that that is one option that should be considered. Obviously, expanding the Projects of National and Regional Significance would also be an important part of the funding program. The qualified transportation improvement bonds that are being proposed by L.A. Metro have the potential to be used for freight programs. The expanded TIFIA program is also a way to fund freight.

So I think if you are trying to fit everything into one little box, we are never going to get there. The beauty of the dedicated fund that I referenced is that it would be determined by the local communities. So our region has developed a goods movement action plan. So in order to be eligible to be part of that dedicated source of funding, the project is going to have to be on that goods movement action plan. It is not just going to be some random thing.

The private sector then knows this is a promise that you are going to get for participation in this dedicated source of funding. These are the projects, this is the benefit to your bottom line in terms of the reliability, the speed to market that you are going to receive for that investment that you are willing to make. And I

think it is a strong partnership from the Federal Government to enable that fund to exist that is really needed.

Mr. NADLER. I see my time has expired. Thank you.

Mr. DUNCAN. All right. Thank you very much.

Mr. Miller?

Mr. MILLER OF CALIFORNIA. It is interesting. We have a trucker advocating rail capacity enhancements. I think that is the first time I have ever heard that before, industry crossovers. But I think it is because of the complexity of the situation that we are dealing with in southern California.

Ms. Primmer, you have talked a little bit about your concept on the freight trust fund. I guess how would you structure the freight trust fund in more specificity, and how would you prioritize key freight projects that were done in a fair fashion?

Ms. PRIMMER. Thank you very much, Mr. Miller. Let me first say that there is still much work to be done on this. This is an idea that we have been developing a policy for for the last couple of years, but we have not come up with a specific set of criteria. I would look forward to working with your staff and the committee—

Mr. MILLER OF CALIFORNIA. I would like to work with you because it is something that is very interesting to me because of the impact we face in this region and the issues we need to deal positively with to mitigate that impact.

Ms. PRIMMER. I would greatly appreciate the opportunity to work with you, Mr. Miller, and any others of the panel that would be interested. You have been a great champion for freight in this region. Obviously, the Devore Interchange right here in San Bernardino is in need of funding. The ACE Corridor is in need of funding. There are port projects that are in need of funding. So there is no shortage here in southern California of what projects would be eligible for it. It is what would be palatable to the private sector, what would be palatable to the port community, what would be palatable to the inland communities that are bearing the necessary mitigations, and what type of agreement can we come up with. All of this involves stakeholders.

Like I mentioned, we have started those discussions, but we need to move forward with those. And with your support, I would like to do that.

Mr. MILLER OF CALIFORNIA. I would love to work with you.

Mr. Fox, you were very specific on certain situations that industries are facing at the ports. Congressman Hahn is very involved with that because she lives above it and has to look down on it every day in her life.

So what can Congress do to mitigate some of the impacts you are facing there? What do you believe we can do?

Mr. FOX. Well, that is a tough one. I am not sure in terms of Congress legislating something to make the ports more efficient, but that is really the center issue, that they are not efficient.

In 2006, we did more business with the same number of trucks than we do today. For example, in 2006, one truck could deliver four to five loads to greater Los Angeles. It could deliver three loads here to the Inland Empire. Today, volumes are approaching 2006 levels. That is the good news. The bad news is that that same

truck can only do two loads to L.A.; it used to do five. It can only do one or two to the Inland Empire; it used to do three. And again, that is all because of decisions made by terminal operators.

I know you know the subject very well, Ms. Hahn, but it is not about labor, because it is the same labor force we had in 2006. It is about terminal operators making decisions to have less labor, close down for lunch, put containers on a grounded operation rather than wheeled, and only have four nights. All three of those areas can be changed immediately, and we can be more efficient as these volumes grow for the next few years. We can handle the volumes with the 9,000 trucks that are servicing the ports today.

We don't even really need 9,000 trucks. We need 7,000 trucks for today's volume. As it grows, we will need the 9,000. But 5 years from now, that will not be enough trucks. Sending another 3,000 or 4,000 or 5,000 trucks to the port creates more congestion not only in the port terminal but on the freeways.

I think there is money that is being spent State and federally on our highway system. As a trucker, I am saying let's stop spending money on the highway system. Let's get the UP or the BN involved and have a daily shuttle train and take 500 to 1,000 trucks off the road going between the port and the Inland Empire daily.

Mr. MILLER OF CALIFORNIA. Mr. Moore, how do you see that working in your position at the Colton Crossing here?

Mr. MOORE. Well, we are always looking for more business, Congressman.

[Laughter.]

Mr. MOORE. But we have studied this in the past. In 2005, we worked with the Alameda Corridor Transportation Authority to develop a pilot here in Colton. It ultimately did not work. There wasn't a business model to make it work. More recently, Mr. Ikhata and SCAG did a study on that as well, and once again the economics don't work. That sort of movement, because of the additional lifts, additional labor, consuming rail capacity, it cannot be price competitive today with a truck move. Now, that may change in the future, but not today and probably not yet, unfortunately.

Mr. MILLER OF CALIFORNIA. I see my time has expired. Thank you, Mr. Chairman.

Mr. DUNCAN. All right. Ms. Brown is next.

Ms. BROWN. Thank you. And I think I had better start out by saying, first of all, I am a rail supporter. After I say that, there are some things I need to clear up.

First of all, Ms. Primmer, in looking at this chart that was passed out, "Funds Committed to Date," we have the number one rail, freight rail in the world. Everywhere I go people ask me about freight rail, and I am asking them about passenger rail. If you see the Federal Government share, the local share, the State share, we have to get our partners that are making money, those stakeholders, to invest in the system.

And to think that we are going to come up with some national funding for freight, and only freight will be able to participate, and we are going to have a lock box for freight, that is not going to happen. Maybe they will tell you it is going to happen, but I will tell you it is not going to happen.

You have to have a system that is multimodal, maybe a system like with the TIGGER grants that will open it up to other forms of transportation. But to say we are just going to do freight, I mean, that is just not going to happen.

And, Mr. Fox, we were at the port, and it was very interesting, and we were trying to get a water bill, and if so, I think they said \$2 billion a year would fund the problems that we are having in all of the ports. I see the Jacksonville Port didn't even make it to this chart. So we really are having a problem. However, the issues that you are talking about are issues that you can negotiate tomorrow with the port.

Mr. FOX. No. No, we can't.

Ms. BROWN. It is not a Federal issue.

Mr. FOX. We cannot negotiate with the port. We have nothing—we have no involvement with setting terminal operations.

Ms. BROWN. I know, but we don't either, to my knowledge.

Mr. FOX. Well, it is interstate freight.

Ms. BROWN. No, sir.

Mr. FOX. Yes, it is. It comes from other countries.

Ms. BROWN. You are talking about whether we do 7 days or whether we do 5 days, whether they are open 24 hours. We discussed that, how much time they take for lunch. That is not international negotiations. Maybe the staff can clear it up for me. I don't think we have anything to do with it.

Mr. FOX. Well, there are always incentives.

Ms. BROWN. I am just telling you, in talking to the port, that is not what they told us yesterday.

Mr. FOX. Well, I can tell you as a trucker, I have nothing to do with setting port policy.

Ms. BROWN. And we don't, either. I mean, we don't either, and we are trying to get them additional funds. But even if we do the things that we need to do at the port, if you have the congestion on the highway, it doesn't work. It is intermodal.

Mr. FOX. That is what I am saying, take trucks off the freeway system.

Ms. BROWN. In some countries, trucks can't go. You have to put them on the train and send them. So, yes, there are some things that we could do. But did you want to respond to my comments?

Ms. PRIMER. I would, please. I didn't mean to imply that the mitigations that are involved with freight would not be eligible as projects. Certainly, there are air quality issues, there are impacts to the communities that support the freight. Ms. Napolitano's district is a prime example of the impact that freight has on local communities.

What I intended to imply was that it should only be available to use immediately adjacent to freight facilities, and I am sorry I relied on my written testimony to flesh some of that out. But the facilities that would be eligible would be part of the multicounty Goods Movement Action Plan in our case. In other States, it might come from the State DOT or come from another NPO plan, but they would be identified by the communities that are most impacted, such as the communities like Ms. Napolitano's and Ms. Hahn's that are bearing the brunt of the commerce that goes out to the rest of the Nation.

Ms. BROWN. Well, there are many areas. For example, Chicago. We are going to visit that in the New York area. I mean, so there are many areas that would be eligible as we develop a policy and try to come up with funding to finance these policies.

Ms. PRIMMER. Absolutely. But there needs to be a freight nexus in order for a project to be included.

Ms. BROWN. Freight, port, multimodal.

Ms. PRIMMER. Absolutely.

Ms. BROWN. All right. Thank you.

Mr. DUNCAN. Thank you very much.

Mr. Hanna?

Mr. HANNA. Mr. Fox, the things that you talk about seem to be absolutely in line with what I would consider to be common sense. What is wrong, really? I mean, you are asking this committee to consider somehow as if it has the authority to deal with it. Clearly, the State has some authority to deal with it. There must be something going on that you are not talking about. It is too obvious.

Mr. FOX. Well, sometimes the most critical things are the most obvious things. There are two issues, near-term and long-term. Look, the ports were never more efficient than they were in 2006 when business was good. So that is part of the obvious answer to this, is that there was more volume that justified more labor. It justified having wheedled operations. The terminals are getting away from providing chassis. It is a very complex issue, and I don't mean to oversimplify it. It is a very complex issue, no doubt about it.

The bottom line here is there are so many stakeholders involved, the steamship lines, the terminal operators. I don't think labor is even part of the issue at all. I think it is the people paying the bills. And if we don't get the people paying the bills to correct the situation, as volumes grow we are going to have more congestion and the Panama Canal is going to start looking a lot better.

Mr. HANNA. So implicit in what you are saying is that there is enough money to go around to allow this inefficiency to continue, and there is nobody invested in stopping it?

Mr. FOX. The different stakeholders are so focused on their own budgets that they are not looking long term at the big picture.

Mr. HANNA. There is no central authority to discuss this that you can go to?

Mr. FOX. I would like to know who it is.

Mr. HANNA. Mr. Ikhrata?

Mr. IKHRATA. Yes, thank you.

Ms. HANNA. Would you like to take a shot at that?

Mr. IKHRATA. Sure. I think what Mr. Fox is saying, and not to disagree with some of the things he said about maybe the Federal Government or the local government or the State government shouldn't invest in the highway, I have a different opinion about that. But this points to how complex the issues are. I mean, if it is simply by just putting a short-haul trailer, like Mr. Scott mentioned, to solve the problem, we will. But it is more complex than that. Study after study said that economically it doesn't pan out. Therefore, the short haul, which is a component to what Mr. Fox is talking about, is not going to work.

But this points to an important thing. I can tell you this, we have been discussing this issue for over 20 years now because it is important not only to this region but to the Nation. And this issue is very complex, no question about it. It needs to involve all stakeholders, private, public, Mr. Fox, Mr. Scott, everybody.

I will point to the fact that in our region, we actually are well organized. Our State in 2006, put a bond out, \$2 billion of which is specific to goods movement, because of the importance of goods movement. So there is more than a discussion. There is part of Government, a debate about what is the best solution. But one solution you should never doubt, that this region and this Nation need to maintain its existing infrastructure and need to build additional infrastructure. And I believe, Congresswoman Brown, that multimodal infrastructure investment in this Nation is warranted.

The sad accident in Seattle a couple of days ago taught us something. In this region, there are 2,300 bridges that are classified obsolete or structurally deficient. That doesn't mean they are going to fall down tomorrow, but they need attention.

So the thing I want you to remember is the investment in infrastructure and maintaining the infrastructure is a key, regardless of these local issues—

Mr. HANNA. Well, we all agree with you.

Ms. O'Brien, who would you like us to tax? I mean, that is a fair question, right? You must have something in your mind. You are a big organization.

Ms. PRIMMER. That is absolutely a fair question, and the answer is no one that doesn't agree to it.

[Laughter.]

Mr. HANNA. Well, that is not going to be a whole lot of people.

Ms. PRIMMER. No. And what I mean by that is I work with stakeholders every day, and what I am hearing from them is if there is a return on that investment, if there is a bottom-line benefit to my business, I am in. So the people that are going to benefit from—

Mr. HANNA. But the degree to which they are in may be the question.

Ms. PRIMMER. The people that are going to benefit from the system need to be partners in developing the plan, and that is exactly what Mobility 21 does.

Mr. HANNA. I am almost out of time. But we need to know what that ratio is, what that looks like in reality so that we know if anything is done at all towards that end, we have willing partners that have an idea that it is not going to be a nickel or a dime, it could be a lot more.

I yield back.

Ms. PRIMMER. Thank you. That is a possibility, and we would be more than happy to work with the committee on that.

Mr. DUNCAN. Thank you very much.

Ms. Hahn?

Ms. HAHN. Thank you, Mr. Chairman.

And thank you to the panelists who are here today testifying before the Panel on 21st-Century Freight Transportation. Isn't it great that we have all these Congress Members from across this country spending 3 days here to really see for themselves how important our ports and our transportation system is to the entire

country? I feel very hopeful that we will come up with some good recommendations as we create the first-ever national freight policy in this country.

Mr. Fox, I, of course, am very sympathetic to what you are saying. It was I, under my brother's leadership when he was mayor of Los Angeles, that actually created the off-peak cargo movement system which we call PierPASS. I was charged with the task of bringing together all the stakeholders, both ports, labor, warehouse distribution centers, the Walmarts, the Sears, the Targets, and we came up with what we now call PierPASS, which was intended to move cargo off-peak hours. I understand we are up to about 50 percent cargo that is moved off-peak.

But I am with you. I always wanted it to be five nights a week, on the weekends. I think that makes sense. I think it will give us more use of our current infrastructure. I think we have to use our infrastructure smarter before we can expect to build out some of our infrastructure. And I think the truckers, they don't want to be on the road with us either. They don't think we know how to drive. So they are happy not to be fighting with commuters.

So even though it is not our jurisdiction, which has never stopped me before from doing anything, I would be happy to facilitate a working group at the ports, and I know Alan Lowenthal will work with me because he was also instrumental in having legislation ready to mandate off-peak cargo movement. We didn't have to do that because we came up with a plan that worked before that.

So we will get together with both ports. We will put a group of stakeholders together and see how we can move forward in moving more of this cargo off-peak. I think that makes sense for the entire region. So I will work with you on that.

Mr. Richmond, I was interested in your idea of mitigation and wondering if we create a national freight policy, do you think a part of that policy should be some sense of mitigation? I think we are going to have to be real with building projects and how that impacts our communities, and I think we do have to have mitigation. I am curious to know whether that should be part of our national freight policy.

Mr. RICHMOND. Absolutely, and it is right now a little bit silent. Some of the existing legislation is silent, at best, on that subject. And you know from your experience with the Alameda Corridor, while it is a fantastic facility and it does a great job to move freight, most of what went into that project was mitigation.

Ms. HAHN. Right.

Mr. RICHMOND. I mean, it is primarily a mitigation project when you scratch away all of the components. So, absolutely, it has to be part of any authorizing program, it seems to me, because otherwise you are really stuck with the issue of investing taxpayer money, presumably, into what is essentially a private enterprise. I mean, the beneficiaries of much of the activity here is private enterprise. And as you have heard from this discussion today, when you scratch below the surface and people talk about doing things more efficiently, you immediately run into the multiple handoffs involved in this business and the fact that any particular approach to make things work better usually lands in one place, and that is when it starts to sort of fall apart if you don't force the issue.

So I think the mitigation has got to be part of what is addressed in any project.

Ms. HAHN. Well, I appreciate you saying that because I don't think we expand our ports or build more projects without making sure that we mitigate the impacts on the surrounding communities. I will say I am encouraged by this panel that one of the sources of revenue that we are exploring is the harbor maintenance tax, which is a tax that is collected but it is not used for the purpose of maintaining our ports and harbors in this country.

The other thing that I would like us to look at is I have always felt like a percentage of the customs district revenue ought to be spent where it is collected for improving the infrastructure. The L.A. district takes in a whopping amount. It is—how much is it, Lori? Let's see, \$14 billion annually just in the L.A. customs district, and it is based on containers, because containers represent commerce, and it has always been a value of commerce.

But my feeling is that every container, and I think we have seen this, that comes into the ports also represents risk. It represents risk to our infrastructure, to our security, to our environment, and I think that money we should look at as a possible fund, not the whole thing, maybe just a percentage of where it is collected across this country, and use it to put back into our infrastructure needs in this country. It might be something that we could look at.

Mr. DUNCAN. All right. Thank you very much.

Mr. Lipinski?

Mr. LIPINSKI. Thank you, Mr. Chairman.

Ms. Brown said we are going to be in Chicago looking at some of these things. I hope we are in Chicago looking at some of these things. I know that I have heard many times in the last 2 days how, even though we are 2,000 miles away, how important what is going on in Chicago and finishing up the CREATE program is to even out here, because that is so important to moving freight in the country.

But if we are looking at one thing that was mentioned, Ms. Napolitano, we could probably compare the need for grade separations in our districts. I am glad we had this opportunity to get out of Washington and come to California because it seems like there is so much greater concern that I have heard in the last 2 days about the impacts on local communities than I usually hear in Washington. Grade separations, I know there are issues, numerous issues, but grade separations with railroads is one of the big ones, and I am very impressed at how much has been put into that, how much funding out here has been put into that by the State and the MTA.

I see 2 percent from the railroads, and that is a big question: Do railroads have a responsibility? How much responsibility do they have? Because railroads can say these are our lines, we run our trains, and that is it. There is a regulation that says if there is any Federal money spent on a grade separation, railroads have to put at least 5 percent towards that, and I think that is important. I would like to see more money coming from the railroads on that, but these are difficult things to work out.

One thing that we are sort of dancing around here and not really addressing is that in the freight system, as Ms. Primmer said, we

should tax, we should get the funding from those who benefit. Well, who benefits? Everyone is going to point to somebody else in terms of who benefits off of any type of improvements. And in the end, everyone might point to, well, it is the American consumer that benefits, so they should pay for it.

I am not saying I have an answer to who exactly benefits and who should pay how much in this, but everyone can point to each other in terms of who benefits. If you are moving the product you can say, well, it is the retailers that are benefiting because they are getting cheaper rates for getting the product, or you can say that producers are benefiting. Everyone can point somewhere else and say where is the benefit. I think that has been one of the problems with coming up with how we are going to do this.

On top of that, you have the fact that the railroads are private. So where does that come in? Where does that come into the picture? The railroads are private; our roads are public for the most part. How does this all come together?

So, does anyone have an answer? I don't expect an answer. Does anyone have anything they have to say about these complicated questions of where is the money coming from, and then where is the money going to go to? How much do the railroads—helping the railroads—yes, it helps freight movement. It helps the railroads also because they are private entities. I am not saying we shouldn't do it. I certainly support that. I supported that with CREATE. But how do we draw those lines?

Mr. IKHRATA. Well, Congressman, we have examples in this region where partnerships, public and private, worked. The Alameda Corridor. At the time, it was the biggest public works project, \$1.4 billion, where you had public and private money, and she will tell you the amount of stakeholders and the amount of meetings it took, but it did happen at the time, in 1985. It took us from 1985 to 2005 to open. At the time, it was the biggest public works project and it involved many stakeholders.

So I think it is possible to be able to say not only who benefits and who pays, but how do we work together to make sure we all benefit.

Mr. LIPINSKI. How does the Federal Government get involved in helping to promote this kind of—

Mr. IKHRATA. The Federal Government was at the table with Alameda Corridor, and it should be at the table on all these projects because, as I stated earlier, if there is a national policy that is needed, this is it. Freight movement is it, in my view. This is one of those few examples where, whether you are in Chicago—and I talk to my colleagues in Chicago almost every week—I think we all agree on the national importance of this issue to all of the Nation, not just to southern California. Sometimes we are selfish. We say southern California, we handle 43 percent. But we believe it is important to Chicago and New York and Florida, every place in the Nation. When the ports have a strike, by district, you can see the economic disadvantage, the economic hardship in every district around the country.

So, yes, it works everywhere, and I think partnerships with other States, partnership with the private sector is needed, not only to

build the infrastructure but also to mitigate the impacts to the communities.

Mr. AJISE. Congressman, real quickly, I think your statement basically elucidates how complex the issue is in trying to bring everybody together and decide on one funding source, and we are not going to do that. But it requires a multiple stakeholdership conversation.

The importance of the Federal role is it is very difficult for us to take any action in one region that may disincentivize activities at that port to the benefit of other ports. So the Federal role comes in where we all get together and then decide on what a national policy is going to be that incentivizes the sourcing of funds to do the activities we are talking about. I think trying to assess benefits is a good start. That brings everybody to the table.

An example that we had was with the Trade Corridor Improvement Program. We had \$2 billion, and the money was basically spent in four different regions of the State, but the stakeholdership in each of those regions came together and added to what was coming to them to increase and leverage \$6.9 billion as a result of that conversation. All of those monies came from other sources that benefitted from those projects that we put together.

Mr. LIPINSKI. Thank you.

Mr. DUNCAN. All right. Thank you very much.

Mr. Mullin?

Mr. MULLIN. Thank you, Chairman. Thank you for the opportunity to be on this panel.

I find it pretty interesting that the gentleman who is thinking out of the box gets hit on the most.

[Laughter.]

Mr. MULLIN. Mr. Fox, I don't mean that in a lovely way. But I am intrigued because what you are saying makes sense, but as I have pointed out multiple times, in politics that doesn't always play any role.

How much thought have you really put into it, though? I mean, have you looked at the logistics behind it? Have you looked at where this inland port would be? The funding, would the private sector be willing to put money into it? I mean, the role that I feel like the Federal Government could play is bringing everybody to the table and then try to help speeding up all these studies that we have to do, studies to make sure the environment and this bird and this crab and all this stuff is protected. I would think that we would be maybe to facilitate a little bit in that way?

Mr. FOX. Well, OK. It sounds like a couple of questions there.

Mr. MULLIN. I know there was. I have a lot more, too.

Mr. FOX. OK.

[Laughter.]

Mr. FOX. Thanks for recognizing that I am getting beat up here. Appreciate that.

You know, this is not a new idea. It has been discussed and looked at and studied. I think one study by the Tioga Group that was done in 2005 was, in my view, somewhat of a negative report, but it was also done at a time when the economy was kind of changing and so forth. I think the time is right now, more than ever before, for a couple of reasons.

Port volumes are getting back to where they used to be. That is a good thing. Congestion is worse than it has ever been on our freeway system and in the port terminals. We have a State that is looking at environmental issues and providing funding.

One thing that Ms. Hahn knows better than anybody is that we have 9,000 new trucks working the port. Well, that is good and bad. It is great because the environment has been cleaned up, and Ms. Hahn deserves a lot of credit for that. I think we are at 72 or 85 percent—the numbers have changed recently—in terms of less pollutants in the local community. That is fantastic. But it also means that we have less truck drivers available.

I am telling the panel, in 5 years from now, we are going to have a problem having enough port drivers to do the work as volumes increase. And if we don't fix the productivity issue, we are not going to have enough port drivers to do the work. So I am getting to your answer.

The inland port has to happen for the next 10 years or 20 or 30 years down the road. If we don't start talking about it now, bring the stakeholders together and plan for it, and implement it in 5 or 10 years from now, or sooner, we are going to have major, major issues.

Mr. MULLIN. And I understand what you are saying, take the focus a little bit off the roads for now, because we can add the third lane, the fourth lane, the fifth lane if we want to. But if we can't get in and out of the port, the congestion at the port, it doesn't make any difference how much we expand the roads. So that makes perfect sense to me.

But is the private sector, is Union Pacific, are the different railroads willing to invest in something like that? I understand the touching of the containers. The more times you touch something, the more it costs. But will it offset the amount of time that we are waiting? Ultimately, we are the ones who pay for it, the consumers. The longer Mr. Fox's trucks have to sit at the port, he has to pass that on to us. So where is the offset and where is the balance?

At what point, Mr. Moore, have you guys looked at that, where the balance is tipped enough to where it would make you want to invest in it?

Mr. MOORE. Well, I mentioned the growth in our domestic freight movement, which is inside the U.S., so to speak. But the answer to the question historically is when does it make sense to do rail, when does it make sense to do truck? That business is shrinking by 400 miles. I mean, today it doesn't work. It is easier to truck to Phoenix. There are 10 million trucks going to San Francisco, zero going on rail, because it is cheaper to do it that way.

Mr. MULLIN. Sure.

Mr. MOORE. Until those dynamics change, and someday they will as that continues to shrink, at that point in time is probably when a purely private model could work. But that is probably premature today without some sort of public subsidy.

Mr. MULLIN. Real quick, my next question is to you. You had said in your testimony that your company is investing and has a clear plan to invest in the future. How much hindrance through regulatory studies and different EPA studies and everything does

that have in your consideration of where to invest and how to invest?

Mr. MOORE. I—

Mr. MULLIN. What kind of impact does it have when you are talking about dealing with the Federal Government?

Mr. MOORE. Well, I was going to say California is a special place to invest and build because of the State laws there. But that has an impact—I mean, the Federal issues are not as great, quite frankly, in this area as the State issues are.

Mr. MULLIN. Good enough. Well, I can't help you with the State side of things.

[Laughter.]

Mr. MULLIN. I thank God every day I live in Oklahoma, so I am good.

[Laughter.]

Mr. DUNCAN. Thank you. Thank you very much.

Mr. Sires?

Mr. SIRES. Thank you, Mr. Chairman. Thank you for being here and all the people that are sitting here listening to us.

Like I mentioned yesterday, I come from the other side, New Jersey. I represent the Port of Newark, the Port of Elizabeth. When you talk about congestion, where there is water, air, highway, roads, we have it.

I am glad I came on this trip because one of the differences that I have been able to observe is that the concern here is how to get the trucks and move the merchandise, which is about 75, 80 percent, into the interior of the country. In my district, 80 percent of the merchandise that comes in through the port is consumed within the region.

So one of the reasons—and I thank you for bringing up the bill, the legislation that I put together—is because for many years I have been very concerned about moving the freight within the region. That is why I think we have to do multimodal. Every single way that you can move freight has to be looked at and intelligently worked on so we can move that freight, because you are going to get as crowded as I am. Sooner or later, it is coming.

What concerned me, Mr. Fox—I know you are getting beat up, but one more is not going to do anything. One of the things we talk about is putting together competitive grants to build whatever infrastructure you need. If you have all those issues that you are talking about, why should I put together a program of competitive grants when you are so inefficient? Why should I give you money if this port is so inefficient? Why don't I take that money and put it someplace where it is more efficient?

So when we talk about competitive grants, that is taken into consideration. We would be happy to have it in New Jersey, by the way.

[Laughter.]

Mr. FOX. Well, you know, the local ports—let me just say, because I know there is some port representatives here—there are issues, but it is still a very effective port when you look at the volumes compared to any other port in the country. It is a very efficient port complex, L.A. and Long Beach. There are issues, but there are issues everywhere.

There also is the deep channel “depth” where the larger ships can come in, and that is very unique for this country, and that is a competitive advantage for Long Beach and L.A. I think there are 50- and 53-foot depths, and that is where the steamship lines went. They went to larger cargo vessels with many more containers, up to 18,000 TEUs, with less sailings. That is cost competitive. That creates immediate congestion when you dump 18,000 containers into a terminal.

I think the congestion that I am talking about, these are simple fixes. For the long term, yes, it is complicated for the UP or the BN to provide a shuttle train to an inland port. But let me also say that based on the trucking rates, where they are today versus when the studies were done 10 or 15 years ago, that gap has come down quite a bit. There is not a big gap between trucking a container from the Long Beach Port or L.A. Port to the Inland Empire versus putting 250 containers on a train and amortizing that cost over 250 containers. That gap is shrinking. It is much smaller.

I think it takes Federal subsidy for it to work, or a combination of State and Federal subsidy. But I think a program can be put together, and I think over the next 5 or 10 years when it is implemented, we can have daily shuttle trains to the Inland Empire, create jobs, get rid of congestion on the freeways.

Mr. SIRE. You know, I certainly agree with you. I certainly agree that the Federal Government has a role to play in this big infrastructure project, because I saw what happened in my district. We have a bridge in Bayonne, New Jersey, that needs to be raised 65 feet. What happened was the Port Authority of New York and New Jersey put together \$1 billion, along with the other projects. But what happened is now to go through the tunnel from New Jersey to New York, by the year 2015 I think it is going to be \$15 because that money was just passed on to everybody that uses those tunnels that the port authority is involved with.

So if you don't get the Federal Government involved somewhere in assisting—I am not saying that they should pay for the entire thing—the public is just going to be stuck, just like you are going to have here. The people in this area are going to have these big bills to deal with in order to alleviate the situation that you are going to confront here in the near future.

So I am a big believer that there is a role, smartly. I mean, I don't believe in just doling out money, but this is for the betterment of the country. At the end of the process, this country is going to be better off if we can make the changes that move the freight throughout the country.

I am sorry. You have a—

Mr. IKHRATA. Just to tell you how complex this is, I mean, the inland port issue was looked at several times. Mr. Fox mentioned the Tioga Group study that SCAG funded. But remember that 80 percent of the truck traffic is not port related. It is due to manufacturing that ends up on the highway but goes to the warehousing. So that makes the concept much more challenging. I mean, if every truck that we are talking about is coming from the port, going in one route and going to the warehousing, that is one thing. But a lot of it is related to manufacturing along the freight corridors, so

that makes the concept harder. It doesn't mean that it is a bad concept. It could be worth it.

But, Congressman, I want to take one thing you said about why should you fund us if we are not competitive, and we say don't fund us if we are not competitive. I think this program should be funded based on what is the best for the Nation, the best projects for the Nation to be funded, and I believe we have many, many areas where we could point to the best projects that will benefit the rest of the Nation. So I think we should be competitive. I can tell you that this region has done enough to tell you we can compete with other regions, and there are good projects in other regions that should be funded also.

Mr. SIRES. Thank you very much. Thank you, Mr. Fox.

Mr. DUNCAN. Thank you. Before we go to Ms. Napolitano, Ms. Brown told me that she needed 10 seconds. I told her if she did something in 10 seconds, I would be shocked.

[Laughter.]

Mr. DUNCAN. So she said she could do it in 30 seconds.

Ms. BROWN. Mr. Fox, I think we are calling on you because we like Fox News.

[Laughter.]

Ms. BROWN. But seriously, one of the things from the port that they told us yesterday, besides the depth, 76 and over 53 feet, one of the things they talked about, the new technology is coming online and that they would need a couple of thousand less truck drivers because of the new technology that is coming online. So keep that in mind as we move forward, that there is new technology that says it is going to expedite the processing at the port. I don't know, but this is what I was told.

In addition to that, all of you can think about it and give it to us later. We talked for 17 years about getting a super project online. What are some of the one-stop permitting things that we can do so that we can expedite those times? California is an example. You have all these different committees and groups on super projects. We need to be able to get everybody in the room and expedite those projects.

Thank you very much.

Mr. DUNCAN. All right. Thank you.

Ms. Napolitano?

Ms. NAPOLITANO. Thank you, Mr. Chairman. And being the last one, I think everything else has been asked except one area. But I want to make a couple of comments with Mobility 21. You haven't been in my area in over 4 years, so I have no idea what the heck is going on. That is mostly L.A., so I take exception to some of the things that are being planned without the San Gabriel Valley being involved.

As far as the funding, the trust funds, I haven't seen a fund that hasn't been utilized for something other than. I mean, it may be related, but not necessarily totally dedicated. So lock boxes may be well and good, except we need to be sure that that money is going to the proposed projects only. If that is where the money is going to come from, the dedicated, and then the shippers can understand that this is money that is going to benefit their on-time delivery

or being able to do things that are specific to including that money in the trust fund.

One of the areas that we have not talked about, Mr. Moore, is the impact of the widening of the Panama Canal. How is that going to affect the railroads and the jobs and the cargo movement, especially of Mexico and Canada, or also preparing for that? And some of the other ports in other parts of the Nation are also deepening their channels.

Mr. MOORE. Well, Congresswoman, we need specifics. We say we don't have a favorite port, but there is really only one port area where we are spending \$1 billion building a double track two and trying to spend a half a billion dollars to improve our facilities.

Ms. NAPOLITANO. That is my point.

Mr. MOORE. So we are going to believe what we think, and our thought is that certainly after the lockout and other issues here in 2002 to 2003, many companies went to a four corners strategy, and a diversion primarily has already occurred, is what our opinion is. So that is why we are continuing that investment and continuing to move forward, because we think the overall value of the deep water ports that you have here, the infrastructure you have in the L.A. Basin, including the warehouses, that rail-land bridge to points east is what is going to have the most value to the customer. As long as that is still true, business is still going to come through here, as well as on our railroad.

So that is why we think we will see what the charges for that Panama Canal item, and certainly there is a gulf port coast that could have some of that traffic. But as I said, there is only one place to invest the kind of money we are building in L.A., and we still think it is coming here.

Ms. NAPOLITANO. That is commendable. I know the Canadians are building a lot of infrastructure to try to compete. So that brings up the question about our shippers who have an option to deliver and divert cargo through these foreign ports into our markets to avoid the harbor maintenance tax in our ports. But what should Congress, what should we do to tax trans-ship cargo coming from Canada or Mexico in order to level the playing field? Anybody?

Ms. PRIMMER. Ms. Napolitano, thank you for the opportunity to answer, and I will be sure and meet with your staff after the hearing today to go over how we can be more involved with your district.

Ms. NAPOLITANO. You are using my time, ma'am. To the question.

Ms. PRIMMER. The Federal Government needs to take the growth of Canadian and Mexican ports very seriously. They pose a competitive threat to the U.S. west coast ports and the millions of jobs they support. However, the most effective response to this competition is for the U.S. to develop a national freight strategy with clear alignment at the State, local, and Federal levels. A national strategy was developed in Canada, and that is a big part of the reason why they have been so effective.

With respect to a cross-border fee, I think the question comes back to this: Can we use HMT in a way that returns a benefit to those who pay it? Can we use it in a way to enhance the competi-

tiveness of our national freight system? If we can fix this, then the competitive impact has been negated.

Ms. NAPOLITANO. So what would be the suggestion to be able to level that playing field?

Ms. PRIMMER. I would propose that it is more than a simple matter of fairness with regards to the HMT. It is and must continue to be viewed as a scarce source of funding that is dedicated to our national freight system. If shippers pay money into the fund and don't see a direct and commensurate benefit in return, then we are losing an opportunity—

Ms. NAPOLITANO. I am talking about the freight from Canada and Mexico coming into the United States to avoid paying the tax.

Ms. PRIMMER. I am sorry. I didn't understand that last part.

Ms. NAPOLITANO. Canada is building a lot of infrastructure to be able to go through the northern part of the United States and trans-ship into the U.S., and so is Mexico. How are we going to be able to tax that to be able to level the playing field for the harbor maintenance tax that is payable at our ports?

Ms. PRIMMER. I don't have an answer for that.

Ms. NAPOLITANO. Anybody?

Mr. IKHRATA. I think, Congresswoman, one way to do it is to make sure we build and invest in our infrastructure as they do, so we can compete with these things. I would say that sometimes implementing the new taxes, it might be more costly and less effective than it is for us to improve our infrastructure to make sure we can compete with these ports.

Mr. AJISE. I just want to add that I think, Mr. Moore mentioned it, the efficiency of being able to get goods from the ports of Long Beach/L.A. across country I think is a competitive advantage we have. To the extent that we continue to improve that infrastructure to be more competitive, I think it is a moot point that they would go to those other ports.

Ms. NAPOLITANO. I have a little bit of a difference of opinion. It is my own opinion, and yes, the harbors have done a tremendous amount of work and have changed in the last decade, that I know of, since I sat on transportation at the State level. So we hope that this will be enough to be able to keep our ports competitive.

Thank you, Mr. Chair.

Mr. DUNCAN. Thank you.

Mr. Moore, we have talked for a long time in our committee about environmental streamlining. We are tried to do more of it in MAP-21, but we still run into delays and problems. All of these transportation and infrastructure projects in our country, most of them have been taking two or three times longer than most other developed nations, and I understand that with your intermodal container transfer facility, is it correct that you first applied or started in 2007 and the environmental review process is still going on?

Mr. MOORE. Yes. We put our application in for our facility in 2007 and still haven't got a draft environmental statement. Our competitor, Burlington Northern Santa Fe, I believe, started theirs in 2005 and just had EIR clearance in the last month.

But those issues are really more about State issues. The California Environmental Quality Act, CEQA, is what the issue is

there, and there has been a lot of talk in the last 12 months, from the Governor on down, about changing that. I don't know how optimistic I am that that is really going to happen, but——

Mr. DUNCAN. That is going to be what I was going to ask. You said this State was a special place, implying that it is more difficult to meet the State requirements than the Federal requirements. Of course, these projects not only take two or three times longer, they end up costing two or three times more, and we are going to have to probably give more of the Federal funding to the States that are getting things done, I would think. So are you seeing any efforts to speed these things up here in the State?

Mr. MOORE. Seeing conversations about that.

Mr. DUNCAN. Conversations. OK.

Mr. Richmond, we were just with Matt Rose all morning with the BNSF, and he talked about your Alameda Corridor project, and he said it began in 1987 and was completed in 2002. I just wonder what mistakes were made or what could we learn from that 15 or 16 years? Could we do a project of that scope someplace else in California or in the country now in less time, or could we do that type of project again? Tell us what lessons you learned from that. I am sure you have thought about that.

Mr. RICHMOND. I will try to briefly respond. Actually, Ms. Hahn could give you even better firsthand knowledge. But this also predates my involvement out here. But I know that for an extended early period of time, there was controversy over many of the issues that you are hearing about today, over exactly how the project was going to get done, whether there was really a buy-in, enough consensus about being happy with the way the project was proposed. That took up a lot of time, I think. Once they got past that, it moved relatively quickly.

In our work, and we are an extension beyond the existing Alameda Corridor that you traveled on, we haven't had that kind of a problem because what we are doing basically is well received in the communities because we are basically trying to clean up a problem that if we don't do it, it is going to be a problem. It has not been an environmental—everyone has got problems with CEQA. We don't have to do anything under CEQA if we are doing a grade separation. So there is an example in CEQA where it is positive. We are basically exempt from the process.

So it really depends, I guess, on what you are proposing and to what degree you are really impinging on people. Ms. Hahn could give you much more of a firsthand view of exactly what went into the Alameda Corridor.

Mr. DUNCAN. All right. Thank you.

Ms. Primmer, you—oh, yes, Mr. Ikhata.

Mr. IKHRATA. Yes. I think, to add to what Rick said, parallel reviews help. There are multiple agencies, Federal and State, that have to review a project, and one agency works for the other. So if you somehow figure out a way to review them at the same time, then that saves a lot of time.

Mr. DUNCAN. That is what we have tried to do in MAP-21.

Mr. IKHRATA. That is correct, and we appreciate that, and we hope we expand on that. So empowering the Federal departments to do that saves a lot of time for sure.

I want to say, and my good friend Scott here mentioned CEQA, and we believe there is a lot of room to fix some of the aspects of CEQA at the State level, and there is actually a bill going through Sacramento right now trying to do just that. But the whole issue of making a project that takes 17 to 20 years has huge benefits economically speaking and otherwise, and I think we have specific recommendations that would love to work with the committee on them, on how to do that and save many, many years on every major project.

Mr. DUNCAN. Well, we have got to speed these things up. The last two major studies by the Federal Highway Administration, one study said 13 years, one study said 15 years from conception to completion. Many years ago when I chaired the Aviation Subcommittee, the Atlanta airport people came to us and they said that it took 14 years from conception to completion for their newest runway, which is now several years old, and it took only 99 construction days. It took them that long to get all the approvals, and they were so relieved to get all the final approvals and permits and so forth that they did that in 33 24-hour construction days. I mean, it is crazy.

But, Ms. Primmer, you mentioned this dedicated source of funding. Do you primarily envision that as a user fee type of funding, or what?

Ms. PRIMMER. Yes. I do believe that a user fee would be an acceptable way to have a dedicated source of funding. I envision it as being something that can be used around the seaport communities within a certain radius of the seaports in order to support the connection points between the ports and the inland distribution and warehousing here in our region, and certainly in other parts of the country as well.

I would just like to take a moment to thank Mr. Miller for his work on breaking down barriers in MAP-21 and taking a leadership role there.

Mr. DUNCAN. He sure did, yes.

All right. Mr. Ajise, in 2007, California came up with this Goods Movement Action Plan, and basically that is, in a way, what we are trying to come up with. Tell us what lessons you have learned that could help us in our efforts now. We are trying to do that, of course, nationwide. But you have had 6 years', 7 years' experience with that. Has it worked? Has it done some good, or has it fallen short?

Mr. AJISE. It has actually worked. We learned some lessons about how it could work better, and we are in the process of crafting a new goods movement plan as we speak and expect to transfer some of those lessons from the GMAP process. I think the GMAP was able to set us up for setting up a goods movement-specific program which became the TCIF, the bond program for the Trade Corridor Improvement Program. So we were able to go from a plan to a funding element because we had consensus around the GMAP as to what were true goods movement type projects.

But I think what was key, though, what we learned most importantly in the process is the value of bringing all the stakeholders to the table, and the ones that were not at the table, either through just omission or just not knowing that they were key stakeholders,

I think that is where the problem was. That is who caused the most problem, because they were not at the table at the time.

But what we are learning now is understanding and defining what stakeholdership is around freight movement, and it is not your typical run-of-the-mill of everybody that you think should be around the table, because actually what we have today is more inclusive. So we expect to use that lesson well to bring others to the table that are not typically at the table when you are talking about projects.

But I think the focus on understanding that freight movement is a business, and having that as a core element of the discussion, understanding that it is a business that also wants to be responsible to the community, and bringing that together ultimately I think is the lesson learned.

Mr. DUNCAN. We have 10 minutes before we have to leave to stay on our schedule. Before Mr. Nadler and I close it out, I want to ask Mr. Miller and Ms. Hahn if they have anything else they would like to say.

Mr. MILLER OF CALIFORNIA. Well, I feel for the process of CEQA because I authored language to say you didn't have to go through NEPA if you met or exceeded those standards, so that helped a lot. But we need to drop a bomb on the State or something to get them to do something more realistic because, honestly, approving these projects—

VOICE. You really don't mean that.

Mr. MILLER OF CALIFORNIA. No, I don't mean it. But approving these projects is so time-consuming, expensive, cumbersome, and the delays you face cost just millions and millions of dollars in the process of waiting for the project to come to fruition. I thank you.

Ms. Hahn?

Ms. HAHN. Thank you. I heard that was Jesse's voice from the back, and actually that is what I was going to say, is I think we should all just come to the realization that these great transportation projects are necessary for this country to remain competitive globally. This is about creating jobs. This is about easing congestion. This is about moving goods. But I think we have to come to the realization that there has to be mitigation for these projects. The health of my constituents in Wilmington and San Pedro shouldn't be compromised just so goods can arrive in Oklahoma on time. While the ports are a huge economic engine, they are actually the largest polluters in this region.

So, I agree. I mean, I think the EIRs need to be accurate so that we don't have appeals and we don't have lawsuits, and let's get the stakeholders in the front, work with the Coalition for Clean Air, the NRDC, the AQMD. Get them to the table in the beginning and find out how we can mitigate these projects. That is the reality going forward, and I think we all agree to that. These projects will be done quicker, and at the end of the day they will be better projects.

Mr. DUNCAN. All right.

Mr. Nadler?

Mr. NADLER. Well, thank you, Mr. Chairman. I want to thank everybody for participating in this. I think, at least around this

roundtable, I suppose, there is wide agreement, not on everything, but wide agreement.

But one question we really didn't get an answer to, and I am not sure if we are capable of getting an answer now, we agree that there ought to be a trust fund, we agree X dollars ought to be spent, but where the money comes into that trust fund from no one has really been willing to say, and that is the biggest problem we are going to have to face in Washington, obviously, because everything else we talk about is pretty meaningless if there is no source of those funds.

We can talk about a trust fund and how we allocate the funds from that trust fund, but how the money gets into the trust fund is crucial. There is a—some would call it a problem, some wouldn't, but there is clearly an unwillingness among many in Washington to increase the gasoline tax, to index it to inflation, or to bring in other revenue sources. So we are going to have to figure that one out. Otherwise, we are not going to have a revenue source or sources from which to fund what we want to fund, although everyone agrees, or at least everyone in this room agrees that we need a robust freight policy and a robust freight fund from the Federal Government to supplement State and local efforts.

But we are going to have to face that key question, period. I hope we can get some guidance on that because that is—I mean, we are going to come back in this committee and the task force is going to recommend a unified freight policy. I am sure we are going to recommend some sort of trust fund. We are going to recommend Federal participation. We are going to recommend standards. But how to fund it, I don't know if we are going to be able to recommend, but someone is going to have to figure that out.

Thank you.

Mr. DUNCAN. All right. Thank you very much.

Let me just close by saying a couple of things. In addition to our briefings at the airport and at the ports and with the railroad people and all, we had a very good roundtable yesterday with eight witnesses, eight experts, and then, of course, culminating with this hearing here this afternoon. We appreciate the hard work that all of our witnesses have put into this, and the time.

But we had quite a few other people or groups that wanted to testify. Now, we couldn't accommodate everybody, but we can accommodate everybody in this way. If any of you on the panel have any additional ideas that you have thought of or think of later, or if anybody in the audience wishes to submit some suggestions, we are open to that. The only thing I would ask, we don't need a lot of flowery generalities. What we need, we need specific, detailed suggestions, and that is what we want.

And so with that, I thank all of you—OK, you can.

All right.

VOICE. Because none of these speakers—

Mr. DUNCAN. All right. Let me tell you, sir, I have tried to be very fair to everybody in this, but we are not going to do this.

This hearing is now concluded.

[Whereupon, at 3:26 p.m., the panel was adjourned.]

Testimony of Kome Ajise, Deputy Director
Planning and Modal Programs

California Department of Transportation

House Transportation and Infrastructure Committee

Panel on 21st Century Freight Transportation

“How Southern California Freight Transportation Challenges Impact the Nation”

May 30, 2013

Chairman Duncan, Congressman Miller, distinguished panel members, thank you for allowing me to testify about this important topic and to provide a State of California perspective about Southern California freight movement’s impact on the nation. With the Los Angeles region having the 16th largest economy in the world, just behind South Korea, Southern California freight transportation challenges are the nation’s freight challenges.

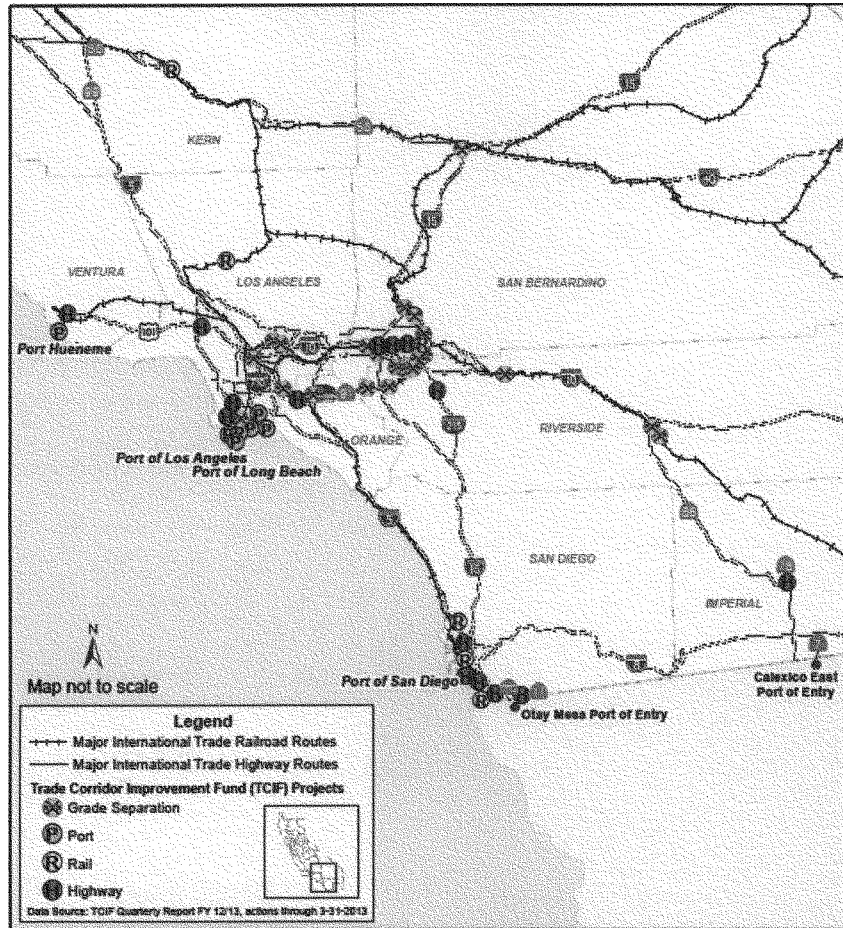
Fortunately, the Nation is exceptionally well served by the complex, continually improving Southern California freight system. The region’s seaports, airports, international border ports of entry, railroads, roadways, intermodal yards, transloading facilities, and warehouses support freight mobility that serves approximately 40 percent of the nation’s international container shipments as well as large volumes of bulk commodities. The system is comprised of a network of private, public, and partnership based facilities and equipment.

While providing numerous business opportunities, jobs, and tax revenues for the region and for communities across the nation, this unparalleled freight volume does indeed present challenges to the region that impact the nation. Fortunately, the State of California and the Southern California region have been proactive in addressing many of the challenges, resulting in reduced regional impacts and sustained benefits to the nation. Though Southern California has an exceptionally strong collaborative freight leadership team comprised of public agencies and the freight industry, there is also a need for a stronger federal presence and a need

for a greater level of federal fiscal involvement in addressing Southern California freight issues. A dedicated source of freight funding is needed that does not siphon funding from other transportation needs.

As the 9th largest economy in the world, just ahead of Russia, California has long recognized the need to support the freight industry so that our economy continues to be a global leader. In 2007, the State issued a comprehensive state freight plan called the Goods Movement Action Plan. The Plan included the identification of critical freight corridors, listing of high priority projects, and highlighted the need to address issues such as air quality and homeland security as part of a freight program. In many respects, the Goods Movement Action Plan can be seen as helping to set the stage for the development of the MAP-21 Freight Policy.

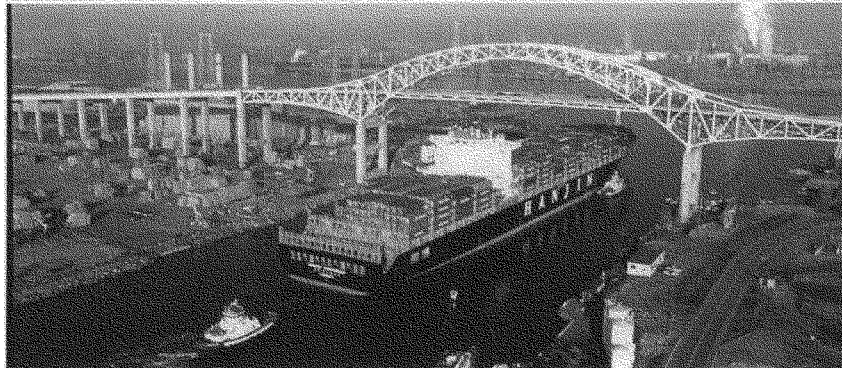
California's adoption of the Goods Movement Action Plan had a companion fiscal element that brought new State revenue through voter approved bonds. The 2006 Proposition 1B Bond Program devoted \$2 billion to the Trade Corridor Improvement Fund. That's \$2 billion in new State revenue devoted to freight movement improvement projects, with many of those projects serving national needs. The Bond funds attracted a wide range of additional private, local, regional, and federal funds, resulting in a current program of 69 freight projects valued at \$6.5 billion, with a majority of the projects located in Southern California.



Trade Corridor Improvement Fund (TCIF) Southern California Projects

- Seaports: 7 projects - \$1.345 billion
- Railroads: 6 projects - \$455 million
- Railroad Grade Separations: 28 projects - \$2.143 billion
- Highways: 15 projects - \$1.379 billion

Two of the Bond projects are particularly noteworthy in regards to their national impacts: the Gerald Desmond Bridge Replacement and the Colton Crossing Railroad Grade Separation.



The Gerald Desmond Bridge Replacement project, located in the Port of Long Beach, is a \$960 million partnership between the State and the city of Long Beach. The project includes \$318 million in federal funds. Remarkably, 15 percent of the nation's international container cargo crosses this now obsolete bridge on trucks. The new bridge will have higher clearances to accommodate larger ships and will have more travel lanes and better approach grades to improve truck traffic. The project is just beginning the construction phase.

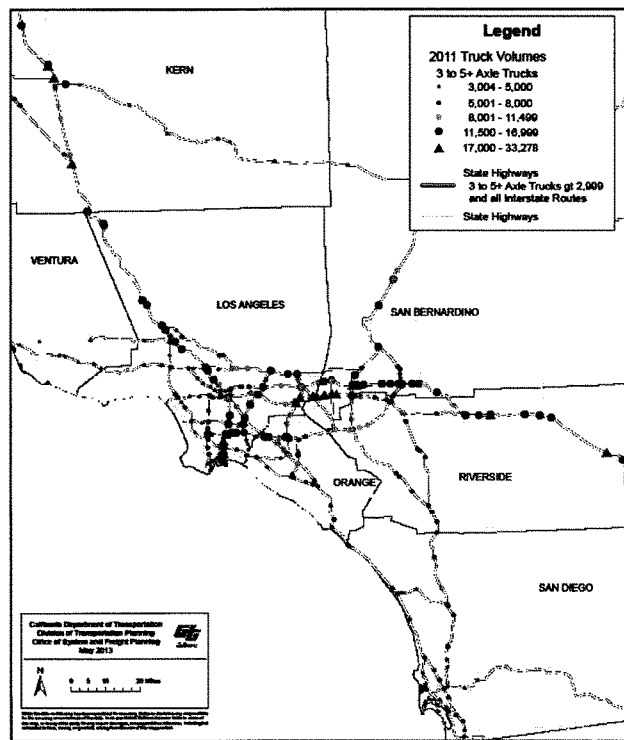


The Colton Crossing Railroad Grade Separation, located in San Bernardino County, is a \$152 million project that elevates the Union Pacific transcontinental rail line over the BNSF transcontinental rail line so that the at-grade crossing of the two Class 1 rail lines is eliminated. These are the two rail lines that connect to the Ports of Long Beach and Los Angeles, providing swift and reliable shipment of goods across the country. The project includes approximately \$34 million in ARRA-TIGER funding. The project eliminates long freight delays as trains will no longer have to wait for each other to clear the crossing. Rail operations costs are reduced. Community impacts from idling trains are also reduced. The project is well into the construction phase.

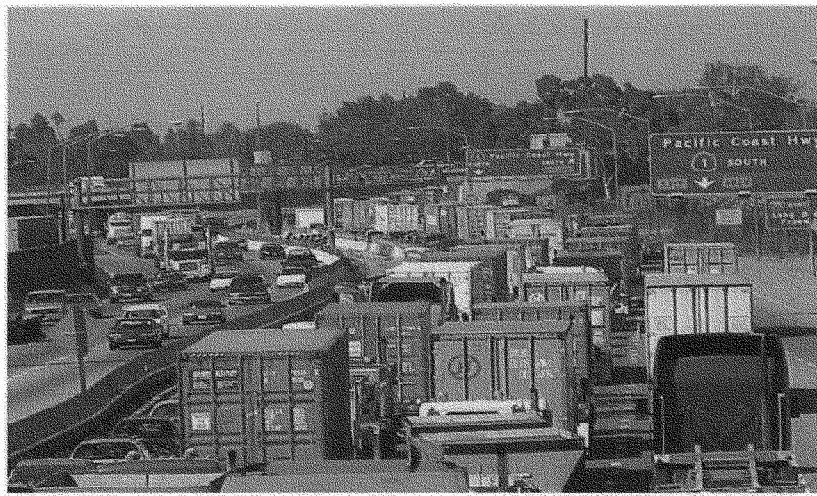
MAP-21 includes the designation of a National Priority Freight Network that will consist of no more than 30,000 centerline highway miles. Selection of routes will be determined by the U.S. Department of Transportation using a variety of truck volume and weight data. My Department, and some of our regional partners, have analyzed the California highway system to identify which routes carry the highest truck volumes. Not surprisingly, Southern California has very high truck

volumes on many of its highways. A challenge for Southern California is that some of the most critical high truck volume routes are not Interstate Highways. They are State Highways that may not be designated as part of the National Priority Freight Network because data regarding those routes are not collected by the Federal Highway Administration. Of particular concern in Southern California are State Routes 57, 58, 60, and 91.

Los Angeles and Inland Empire Area
2011 Annual Average Daily Truck (AADT) Volumes
Three to Five+ Axle (greater than 2,999)




In a related matter, the vast majority of the containerized cargo that comes into and leaves the ports are packed in standard 20 or 40 foot marine containers. Many of the containers arriving at the ports are loaded directly onto trains at the port and are hauled to locations throughout the country. Many more of the containers are transported by truck to various transloading facilities where they are unloaded and repacked into 53-foot tractor trailer rigs, to then be trucked to distant locations. The truck trip between the port and the transloading facility is inappropriately counted as a local trip due to its short length, while the reality is that the freight being hauled in the truck is often being moved a great distance to other states after being repacked into a 53-foot trailer. Southern California needs these shorter truck trips to be counted as a longer freight trip so that the impacted highways can be recognized as serving national needs, not just local needs.



Per MAP-21 guidelines, California has formed a State Freight Advisory Committee to assist in the development of our new State Freight Plan and to provide advice on other freight matters. Our 60-member committee represents a broad spectrum of the freight industry, government agencies and stakeholders. We

appreciate the assistance that the Federal Highway Administration's California office has provided to us during the committee formation process.




**TESTIMONY OF HASAN IKHRATA,
EXECUTIVE DIRECTOR
Southern California Association of Governments**

**HOUSE TRANSPORTATION &
INFRASTRUCTURE COMMITTEE
PANEL ON 21ST CENTURY FREIGHT TRANSPORTATION**

**Regarding
"How Southern California Freight
Transportation Challenges Impact the Nation"**

May 30, 2013

 **SOUTHERN CALIFORNIA
ASSOCIATION of GOVERNMENTS**

**TESTIMONY OF HASAN IKHRATA, EXECUTIVE DIRECTOR
SOUTHERN CALIFORNIA ASSOCIATION OF GOVERNMENTS
HOUSE TRANSPORTATION & INFRASTRUCTURE COMMITTEE
PANEL ON 21ST CENTURY FREIGHT TRANSPORTATION**

**Regarding
"How Southern California Freight Transportation Challenges Impact the Nation"
May 30, 2013**

Chairman Duncan, Congressman Miller, Distinguished members of the panel:

Thank you for the opportunity to testify on behalf of the Southern California Association of Governments (SCAG). Our 191 cities and six counties containing over 18 million residents appreciate the Panel's time and interest in receiving testimony regarding the freight benefits and freight challenges in Southern California.

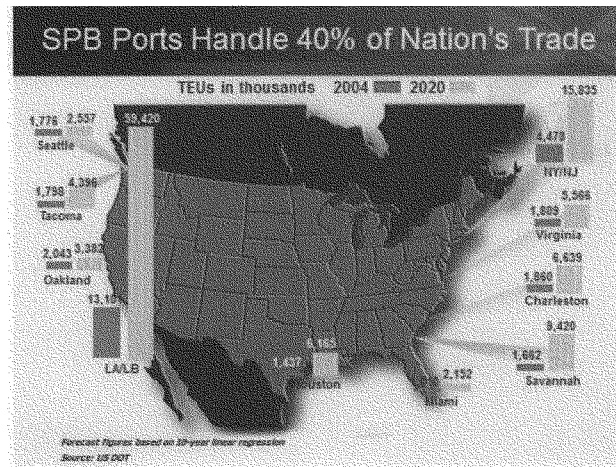
A federal partnership on freight infrastructure investment is the highest priority to the SCAG Board and our officials. Our officials and agencies applaud the congressional leadership for coming together in a bipartisan manner to pass the "Map-21" surface transportation authorization bill. We thank you for recognizing the importance of establishing a national freight policy as identified in the provisions of MAP-21.

This bold action has set the course for the work of this panel and provides a basis for future legislation that will guide planning and investment in transportation infrastructure necessary to support trade and move goods throughout the country. This is critical to ensure that our nation will continue to be competitive in the 21st century global economy. SCAG is a founding member of the DC-based national Coalition of America's Gateways and Trade Corridors (CAGTC) who has been an active supporter of this panel's freight goals. The CAGTC coalition, which includes our ports and transportation agencies along with many other ports and freight agencies across the nation, support your panel's efforts.

Our agency, along with our partner agencies in Southern California has focused tremendous effort on developing comprehensive regional strategies to support our national freight system. It is a privilege to have the opportunity to appear before this distinguished panel to speak about our freight transportation system needs that have direct impacts upon the economic health and quality of life in each of your districts and the entire country. My testimony today will specifically focus on our regional freight transportation plan and highlight the economic importance of a national investment strategy in gateway regions like southern California.

SOUTHERN CALIFORNIA'S FREIGHT TRANSPORTATION SYSTEM & ACCESS TO INTERNATIONAL TRADE GATEWAYS

As the nation's largest port complex and premier trade gateway, the ports of Los Angeles and Long Beach handle 40% of the nation's containerized shipments, with over \$336 billion in cargo value traversing the ports in 2010 alone. This is more than the GDPs of many large countries – for example, Portugal, Israel, Denmark, Hungary, Finland, Ireland, and others.



In 2012, over 12 million twenty-foot equivalent units – or TEUs – passed through these ports. Historic growth patterns indicate that volumes will triple by 2035, meaning that by then over

42 million containers are expected to move through these two ports and our region to serve national consumer demand. In addition to these two powerful economic engines, Southern California also hosts the niche port of Hueneme which specializes in the export and import of automobiles and agricultural products valued at \$7 billion in 2012.

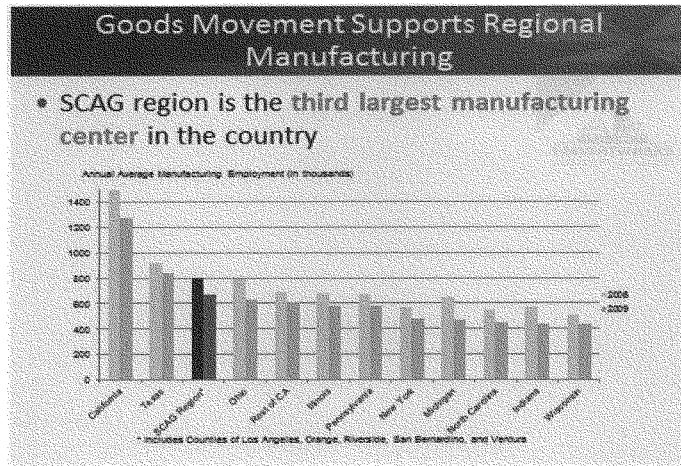
Southern California also supports the movement of high-value, time-sensitive cargo through several commercial air carrier airports with the world's fifth busiest airport- LAX – handling \$78 billion in trade in 2010. Finally, Southern California also hosts international border crossings with America's third largest trading partner – Mexico – with cargo valued at \$35 billion, including San Diego County, moving across the border in 2012.

Combined, our region's seaports (the ports of Los Angeles, Long Beach, and Hueneme); International airports (LAX and Ontario), and commercial land border crossing (Calexico East – Mexicali II) make very significant contributions to the economy. These include:

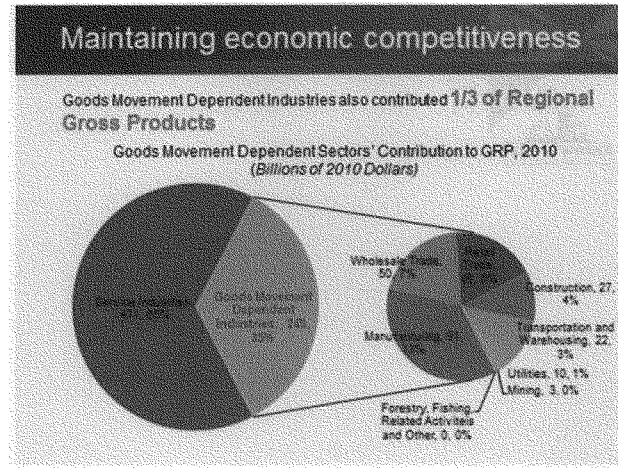
- Over 60,000 direct jobs at the ports, airports and border crossings;
- More than 1.6 million trade-related jobs throughout the region; and
- Over \$30 billion annually in local, state, and federal tax revenues

FREIGHT TRANSPORTATION SUPPORTS CRITICAL REGIONAL & NATIONAL INDUSTRIES

While the importance of our gateway region in connecting consumer goods manufactured in Asia and destined for U.S. markets has been well documented, the overall importance of our regional transportation system in supporting the flow of goods farther inland and serving the needs of critical industry clusters throughout the nation – continues to grow. As the third largest manufacturing center in the country (trailing only the states of California and Texas as a whole), our region is home to a vital element of the national economy that must be sustained to ensure prosperity. Even in today's era of global sourcing, domestic manufacturing remains a cornerstone of the economy.

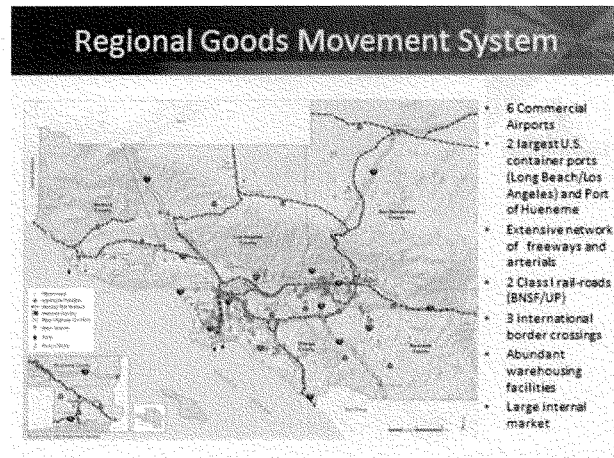


In addition to manufacturing, several other critical industries reside in the SCAG region, including retail trade, wholesale trade, construction, and transportation and warehousing. These industries, so critical to the economic health of the U.S., are heavily dependent upon complex supply chain systems and associated infrastructure. The logistics industry relies significantly upon the extensive warehousing and distribution clusters in Southern California to serve the entire country. Home to nearly 1 billion square feet of warehousing space, the SCAG region contains warehouse space that is larger than the entire land area of Miami. Collectively, these goods movement dependent industries rely upon our transportation system to support international and domestic trade, as well as local delivery of consumer goods. In our region, these industries account for a third of all jobs and a third of our gross regional product (GRP). This translates into 2.9 million jobs and \$249 billion of GRP.



EXISTING CONDITIONS AND FUTURE NEEDS

The goods movement system in the SCAG region is a complex series of interconnected infrastructure components that must operate as whole to serve the region and the nation. Together, the seaports, airports, highway and rail system access to key goods movement centers within the region, connections to markets and suppliers, and the quality of intermodal connections make the SCAG region an attractive center for goods movement activities. These critical infrastructure assets share capacity with passenger traffic and are owned and operated by a mix of public and private sector entities.



Our region's warehouse and distribution space is located along major East-West freight corridors. Considerable concentrations of manufacturing facilities are also located along these corridors. Additionally, the region's extensive rail network is a critical link in the supply chain that provides shippers the ability to move large volumes of goods over long distances at lower costs and lower emissions per ton-mile than other transportation modes. With over half the international cargo arriving at the San Pedro Bay ports utilizing rail, dramatic growth in port-related traffic will be the most significant driver for increases in mainline and intermodal terminal capacity in our region. As railroad traffic increases, grade crossing delays are also expected to increase by an average of 269% for all rail lines combined by 2035.

OUR REGIONAL FREIGHT TRANSPORTATION PLAN

Building on almost two decades of work to develop and understand the role and needs of goods movement in Southern California, our regional freight transportation plan identifies nearly \$60 billion in capital investment needs to support business access to transportation services and facilities. This federally approved freight infrastructure investment plan of projects through 2035 is supported by the 191 cities and six counties, transportation agencies, and

environmental communities as a blend of freight investments that mitigate impacts to communities adjacent to the freight corridors, elimination of key freight congestion chokepoints and capacity expansion to remain globally competitive.

We target investment in key corridors to support critical industry clusters. Examples include a dedicated, clean technology truck lane system that connects concentration of goods movement activity, supported by a program to resolve truck bottlenecks on the region's major truck corridors.

Our freight transportation plan also ensures that Southern California will continue to be a leading trade gateway, serving the Pacific Rim and Mexico, by supporting capacity improvements in the marine terminals, intermodal terminals, railroad mainlines, and roadway access routes to the seaports, airports, and international land border crossings.

OPPORTUNITIES FOR NATIONAL FREIGHT FUNDING

It is critical that any effective strategy addressing freight transportation challenges must include a national freight policy focused on the establishment of a dedicated, predictable, and enhanced revenue source, or combination of sources, that augments – and not supplants – existing funding. An enhanced revenue program for freight should be used solely for the nation's freight transportation infrastructure system. While recent federal financing tools such as the expansion of the TIFIA Loan Program and grant programs like TIGER have been promising, they currently represent a modest solution to a national freight investment plan, if the United States is to remain globally competitive. If there is to be a true national freight strategic plan, a significantly more robust federal freight funding partnership role is going to be necessary. CAGTC has determined an annual federal freight funding conservative goal of \$2 billion a year. Our agency supports that federal freight funding infrastructure conservative goal and requests that the panel consider the national economic implications if America does not keep pace with other countries who are investing in their freight infrastructure to compete with the United States.

IMPORTANCE OF INVESTING IN U.S. INFRASTRUCTURE

Southern California alone is the 16th largest economy in the world. As I mentioned, over one third of the gross regional product directly relies upon the regional transportation network. However, the infrastructure that comprises this crucial transportation network is deteriorating. The World Economic Forum's Global Competitiveness 2012/2013 report ranks the U.S. infrastructure just 14th in the world. That ranking is down from its 7th place ranking just five years ago – underscoring the multiplier effect that decades of underinvestment in our infrastructure system has caused. According to the American Society of Civil Engineers, America's infrastructure has a cumulative grade of "D+", with needed investment estimated at a staggering \$3.6 trillion by 2020. For perspective, that is more than the entire U.S. budget expenditure of \$3.5 trillion for FY 2012-12, and over \$1 trillion more than the total revenue of approximately \$2.4 trillion taken in by the U.S. Government for the year.

CONCLUSION

As I know this panel has heard repeatedly, first, the systemic Highway Trust Fund imbalance must be fixed – whether through user fees, enhanced, and/or indexed fuel tax increase, tolls, pricing, or any combination of measures, we cannot continue to deficit finance our nation's infrastructure just to barely maintain status quo.

Secondly – and this is critically important to our nation's economic future – the freight infrastructure network of the United States should have a separate, dedicated funding source that is in addition to, not in lieu of, the existing funding framework. If we fail to do this, not much of what I have said here matters, and future generations will suffer the consequences.

Thirdly, recognizing that we will not be able to secure funding sufficient to address all of the nation's freight infrastructure needs, we know we must show the public that we maximize every dollar. Transportation projects face many hurdles to faster project delivery methods, including funding availability challenges, environmental review process issues, and other process uncertainties such as agency coordination. Many opportunities exist for transportation project delivery streamlining. We applaud the changes for accelerating project delivery included within MAP 21. We believe more can be done. According to our state transportation agency (Caltrans), the average major transportation project takes 17 years to complete. SCAG

engaged independent prominent economists from throughout the SCAG region to analyze the economic benefits from implementing our recently adopted Regional Transportation Plan forward by 5 years faster. The economic team developed methods to analyze the impacts to the regions. The result was a decrease in construction cost by \$1.25–1.95B, 5–9% of construction cost, per year and creating nearly 300,000 jobs from construction, enhanced economic competitiveness, and road safety and system preservation. Working with the panel and the Committee, we support additional efforts to build projects faster.

With limited federal resources, we suggest that these scarce federal resources be deployed resources as efficiently and meaningfully as possible. To that end, we suggest that selection of projects for which federal freight financing is allocated should be done through a competitive, grant process that is performance based, rather than by formula.

Lastly, I encourage this panel and the full committee to consider all potential sources of funding and leveraging opportunities at all levels from both the public and private sector such as America Fast Forward Transportation Bonds and other financing tools. As well as consider supporting H.R. 974, the MOVE Freight Act of 2013, which would establish a competitive grant program to provide financial assistance for capital investments that improve the efficiency and safety of the national transportation system to move freight and mitigate the system's adverse impacts on local communities. H.R. 974 is cosponsored by Reps. Sires, Hahn, Napolitano, Schiff and Lowenthal and supported by CAGTC. Moreover, innovative approaches such as the one contemplated by the recently introduced Partnership to Build America Act by Congressman Delaney to repatriate U.S. corporations' overseas capital to invest in U.S. infrastructure under advantaged tax status should be considered.

We suggest that all funding options should be on the table for deliberation because we are nearing a tipping point in the global competitive market. We need to continue the work begun under MAP-21 to repair our transportation infrastructure network by making the necessary investments today to secure the nation's prosperity for tomorrow.

Thank you very much for your consideration of my testimony and including me in your important hearing today. I look forward to responding to questions at the hearing.

Good afternoon, Chairman Duncan, panel members, and committee members. Thank you for inviting me to provide testimony before the Panel on 21st Century Freight Transportation. My name is Marnie O'Brien Primmer and I am the Executive Director of Mobility 21. I am here today representing 21 million Americans living in seven Southern California counties: Los Angeles, Imperial, Orange, Riverside, San Bernardino, San Diego, and Ventura. Mobility 21 is a nonprofit non-partisan multi-modal transportation advocacy coalition that brings together business, community leaders and transportation providers to support increased investment in transportation throughout our region. Membership in Mobility 21 is free and open to the public, and I am proud to say we have over 5000 active members.

On behalf of my Chairman, Anne Mayer, and my Board of Directors, I offer testimony today that will highlight the commitment Southern California has made to supporting trade throughout the United States, creating good-paying jobs, and strengthening our global economic competitiveness all while improving the quality of life for Americans calling our region home. I will respectfully ask for your partnership to make sure that our region's commitment to stewardship of a national asset- namely our freight movement network- receives recognition and partnership from the federal government.

I commend the Chairman and Panel for convening a field hearing here in Southern California, or as we like to think of it, the heart of America's freight movement network. I know you have had the opportunity to tour some of the essential freight facilities here in Southern California, such as the San Pedro Bay Port Complex, the Alameda Corridor, Alameda Corridor East, and Colton Crossing. However, there are many equally important freight facilities such as the Ventura County Port and intermodal infrastructure, border crossings in San Diego and Imperial Counties, and key freight corridors from the I-710 and SR-60 in Los Angeles and Riverside to the Devore Interchange in San Bernardino that also require resources to maintain and expand, ensuring that freight moves smoothly from our region to the rest of the nation. Knowing this, you can begin to understand the magnitude of the freight operations here in Southern California and the critical nature of freight movement to the economy of not only our region but the nation as a whole. In fact, cargo that enters through our ports makes its way to every single Congressional district in the country. There are millions of jobs nationally that are supported by the trade emanating from our freight network. And it is easily said that many of the goods on shelves in stores all across this nation, start their journey right here in Southern California.

What makes Southern California a unique asset to our nation's economic health, is the fact that our distribution and warehousing sector, second to none nationally and one of the most formidable globally, supports the cargo that moves through our ports. With nearly 1 billion square feet of distribution and warehousing space right here in Southern California, the efficiency of freight to be trans-loaded, repackaged and distributed across the country via rail and truck, is undeniable. Our ports can accommodate the latest generation of ships- ships too large to traverse the soon to

be complete Panama Canal. We have border crossings that support trade with our largest trading partner, Mexico. All this means that cargo will continue to come through Southern California despite improvements to other areas of the nation's freight network.

What does that mean for this panel? It means that you should be greatly concerned with the funding gap that we have identified to support the maintenance and expansion of this nationally significant freight network. It is imperative that our leaders recognize that of the freight that comes into Southern California, nearly 70% is heading out of our region and state to support the commerce for the rest of the nation. And it means that Congress should be looking for ways to make sure that the efficiency and safety of the heart of the nation's freight network is assured.

MAP-21, while it was a watershed for freight in that it is the first bill to include a freight title, stopped far short of addressing the needs of effective freight movement. We are pleased that the Department of Transportation (DOT) has moved quickly to establish its internal Freight Policy Council and is working toward selection of the Freight Advisory Committee. However, Mobility 21 is justifiably concerned that the interstate-only approach prescribed in MAP-21 will severely impact the effectiveness of the freight network to be identified. By forcing DOT to be bound only by interstate highway lane miles, rather than also including state routes that carry freight, and limiting the number of lane miles that can be included to far fewer than experts agree are part of our freight system, we fear that critical multi-modal freight facilities such as those you have toured while here, will be left out of the assessment and therefore left out in the cold when it comes to providing funding for their maintenance and necessary upgrade.

While Congress included Section 1120, *Projects of National and Regional Significance* (PNRS) in the final version of MAP-21, and authorized \$500 million of funding, Congress failed to appropriate funds to support this critical program supporting multi-modal freight investments. By not appropriating the \$500 million Congress is limiting the ability of our ports, transportation authorities, and our state department of transportation to invest increasingly scarce federal dollars and augment the local dollars our communities have voted to tax themselves in support of transportation investments. The PNRS program is essential to the Alameda Corridor East-I 710 freight corridor in Southern California and is beneficial to projects like CREATE in Chicago and intermodal freight improvements serving the Port of New York and New Jersey.

Expanding on the progress made under MAP-21, Mobility 21 has some suggestions for you to consider when addressing this complex set of issues:

- 1) Establish a national multi-modal freight system with a comprehensive catalog of essential regional and national freight assets.

2) Establish a dedicated source of funding, separate and apart from the Highway Trust Fund, that will provide for the needed investment in the multi-modal freight system identified.

3) Invest in the entire spectrum of issues arising from freight movement in a metropolitan region, from ports and border crossings to warehousing and distribution centers and the highways, grade crossings, and railways that connect them.

4) Support additional revenues for freight movement including the creation of a dedicated Freight Trust Fund (FTF) with a specified sunset date for a set of infrastructure improvement projects prioritized by regions for ports, border crossings, key freight assets and mitigation to complement available local funding sources. Once the investments have been made, the FTF sunsets.

5) Eligible FTF projects should be comprised of water/landside gateways, international borders and corridor projects; highway, grade-separations, freight rail benefiting passenger rail and port/intermodal projects. Eligible projects should also include zero and near-zero-emission elements and encourage private funds/investment (e.g., tolls or public-private partnerships).

6) Make sure the FTF is lock-boxed, and ensure revenues generated for freight movement be specifically designated to fund projects that have performance measures that increase throughput, reliability and safety while simultaneously reducing congestion, improving air quality and minimizing community impacts directly associated with the movement of freight.

7) Support Innovative Financing Tool Proposals, like the American Fast Forward Transportation Bonds, which establish a new class of qualified tax credit bonds. Qualified tax credit bonds are taxable bonds issued by state, local or other eligible issuers where the federal government subsidizes most or all of the interest cost through granting investors annual tax credits in lieu of interest payments. This bond model has been very successful for the school construction and renewable energy industries.

Mobility 21 as a coalition of public and private sector leaders passionate about our future mobility and economic viability is actively engaged in efforts to bring freight stakeholders together nationally around these six important principles in support of increased investment in America's freight network. We appreciate the opportunity to share our suggestions today and look forward to working with you as you seek to bring forward recommendations to the Committee for addressing the challenges facing freight in our nation. Please consider Mobility 21 a partner and a resource in your efforts going forward to ensure a successful freight transportation program that is vital to long-term economic growth in our state and nation.

**Testimony
of
Scott Moore
Vice President, Public Affairs
Union Pacific Railroad
10031 Foothills Blvd
Roseville, California 95747**

May 30, 2013

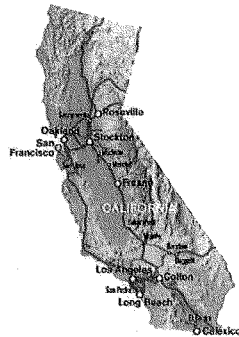
**Before the
United States House of Representatives
Committee on Transportation and Infrastructure
Select Panel on 21st Century Freight Transportation**

Chairman Duncan, Ranking Member Nadler, and Members of the panel, my name is Scott Moore, and I am the Vice President of Public Affairs for Union Pacific Railroad. I appreciate the opportunity to testify today regarding our operations in California and to explain how we manage our traffic in the Los Angeles Basin.

Union Pacific Railroad operates in 23 states over just under 32,000 route miles. We have over 45,000 employees with a \$4.3 billion payroll. Our capital spending plan in 2012 was \$3.7 billion, and we will spend \$3.6 billion on capital in 2013. In 2012, we installed nearly 4.1 million new ties and replaced 1,050 track miles of rail. We have also invested heavily in terminal facilities and new locomotives.

In California, we have 3,283 miles of track, making us the largest railroad in the state. We have an annual payroll of over \$430 million with just under 5,000 employees, and in 2012, we had a capital spend of \$376 million.

Union Pacific in California

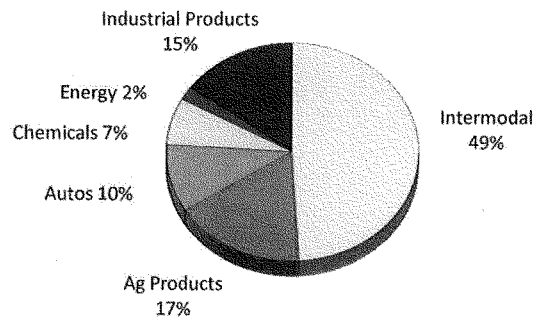


2012 Fast Facts

Miles of Track	3,283
Annual Payroll	\$430.7 M
In-State Purchases	\$233.3 M
Capital Spending	\$376.1 M
Employees	4,872
Community Giving	\$1.4 M
Charitable Organizations	385

Our business in California is varied. However, our intermodal line makes up 49% of the business we carry into, out of, and within California.

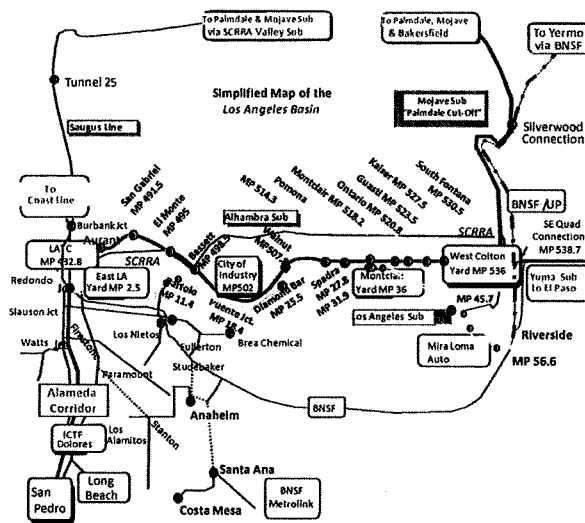
California Business Dimensions



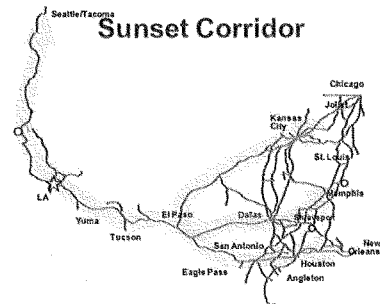
As you can see from the chart, most of the business we handle in California is intermodal. Our intermodal franchise includes two distinct segments – international and domestic. International

business consists of import and export container traffic that mainly pass through West Coast ports in primarily 20, 40, or 45 foot containers. Domestic business includes container and trailer traffic picked up and delivered within North America for intermodal marketing companies as well as truckload carriers. Domestic shipments primarily move in 53-foot containers. Less-than-truckload and package carriers with time-sensitive business requirements are also an important part of domestic shipments. At Union Pacific, 54% of our intermodal business is international and 46% is domestic.

Much of this traffic flows into and out of the Los Angeles Basin, and roughly half of all our employees in the state work in Southern California. Union Pacific operates 10 major intermodal facilities across our system, and 32 overall. We have four facilities in the LA Basin (ICTF, East LA, City of Industry, and LATC), two of which (ICTF and East LA) are our top producing intermodal yards. The four LA Basin facilities combined handle well over a million lifts a year. This compares to just over 4 million lifts at all other UP operated intermodal facilities. The only other geographic area that compares in terms of annual lifts is the Chicago area with just over 1.4 million lifts per year. To help orient you with our operations in the Basin, the following is a simplified map.



While we have a number of routes into and out of the Basin, our main corridor out of the LA Basin is what we call our Sunset Corridor. This line runs through Arizona and across New Mexico. Once in Texas, the line branches out, and from this point we have the ability to serve Chicago via Kansas City; Memphis via Dallas; and New Orleans via Sothern Texas. We have invested well over a billion dollars in this route over the past 10 years as we work to double track this line and increase terminal and branch line capacity. At the end of 2012, the project was over 70% complete.



Looking forward, we continue to expect large volumes to come into and out of the LA Basin. To handle this business, we have been working to modernize and expand our terminal facilities, not only in the Basin itself, but elsewhere to specifically support the activities there.

We are working to modernize and expand our ICTF facility in the Basin. By using advanced, mechanized technology, we would be able to improve our throughput, decrease our footprint, and reduce the level of noise and lighting at that facility. We made application for this project in 2007, and we are working our way through the environmental review process. Right now it is unclear when we will be able to modernize the terminal.

We have also made investments far from the Basin to support the traffic destined to and from Sothern California. Specifically, we are making a very large capital investment in a new terminal in Santa

Teresa, New Mexico. This new terminal is located on our Sunset Route, and it is scheduled to open in 2014.

Beyond our own investments in Southern California, public/private partnerships have also played an important role in the Basin. Outside of the CREATE project in Chicago, one of the country's premier public/private partnership is the Alameda Corridor. Multiple railroads and government agencies worked together and created a partnership to funnel traffic in a dedicated, submerged rail line from the ports to locations further inland. We continue to work not only with the Alameda Corridor Transportation Authority, but also the Alameda Corridor East Construction Authority, which was established to minimize the impact of the flow of goods further east outside the corridor. Most recently, we have partnered with BNSF Railway, local governments, the state, and the federal government to enhance the flow of goods by making improvements at what is known as Colton Crossing. Colton Crossing is a location where Union Pacific and BNSF must cross each other, and there are between 70 to 120 trains a day that need to get through this intersection. The cost of the project is \$117.2 million with participation from all levels of government as well as both the UP and the BNSF. Eliminating rail gridlock at Colton Crossing, one of the busiest at-grade rail intersections in the country, will relieve road and rail congestion, reduce wait time and delays for motorists at area rail crossings, and improve air quality in Southern California.

In the future, the LA Basin will continue to be a critical point for goods movement. Even with the expansion of the Panama Canal, we expect traffic to continue to increase into and out of the LA Basin ports. The Basin is an important component of our system as well as the country's freight infrastructure network.

Again, I want to thank the Committee for asking me to testify, and I would be happy to answer any questions you may have.

Scott Moore
Vice President-Public Affairs (West)
Union Pacific Railroad

A native of rural Nebraska, Scott Moore is a 1983 Graduate of the University of Nebraska-Lincoln with a BA in Political Science. After being elected as a member of Nebraska's Unicameral Legislature in 1986, Scott served for eight years as a State Senator from the 24th Legislative district. In 1994, Scott was Elected Statewide as Nebraska's Secretary of State and was re-elected in 1998.

In 2000, Scott exited Nebraska State Government when he joined Union Pacific Railroad as Director-Government Affairs. In this capacity, he oversaw the State Government Affairs efforts of the Railroad in the Western portion of Union Pacific's 23 State system.

Union Pacific named Scott to the position of Assistant Vice President & General Manager – Public Partnerships in April 2004. In this role, Moore was responsible, system wide, for the management of Union Pacific's relationships with the many agencies, usually governmental, that partner with the railroad to solve communities' transportation needs.

In August 2007, Moore was named Vice President -Public Affairs (West). Based out of the Regional Headquarters in Roseville, CA, Moore has the responsibility for all community relations, state government relations, public relations, public partnerships, port affairs and philanthropic programs across Union Pacific's nine state Western Region. In addition to the office in Roseville at Union Pacific Western Region Headquarters, the Western Region Public Affairs organization includes personnel and offices in, Los Angeles, Long Beach, Phoenix, Portland, Sacramento and Salt Lake City.

Scott is married to Danene J. Tushar, who is partner in the Omaha office of the Fraser-Stryker Law Firm. Scott and his wife live in Roseville.

**Testimony of Michael K. Fox
United States House of Representatives
Committee on Transportation and Infrastructure
Panel on 21st Century Freight Transportation
May 30, 2013**

Chairman Shuster, Ranking Member Rahall, Members of the Committee, I am Michael Fox, chief executive officer of Fox Transportation, a family-owned and operated business founded by my father as an intermodal drayage company in 1986.

Thank you for the opportunity to appear before the committee. It is a high honor to address the committee and share my views on freight movement in the 21st century. I am especially grateful to Rep. Gary Miller who I came to know when he represented north Orange County, where I live, and who now represents the 31st congressional district, where my business is located. Mr. Miller is a powerful advocate for small businesses and individual constituents in Southern California, and I am honored to call him a friend.

Shortly after my father went into business for himself, he suddenly became ill and could no longer operate the company. I left my job as a marketing executive for the Los Angeles Dodgers and my mother, MaryAnne, left hers as an executive with a local manufacturing company, and we devoted ourselves to learning everything there was to know about operating a trucking business and being successful along the way. Over the past 25 years, we have benefited greatly from the generosity of countless friends, colleagues and even competitors who helped along the way as my mother and I worked tirelessly to pursue Dad's dream.

Today, I am proud to say, Fox Transportation operates in 12 states, making eight million deliveries a year to hospitals, pharmacies, retail locations and distribution centers. Pioneers in the use of clean truck technology, our harbor operations have been recognized by the ports of Los Angeles and Long Beach for our efforts to reduce diesel emissions and improve air quality in Southern California.

It is appropriate that the Panel on 21st Century Freight Transportation should conduct a hearing in the City of San Bernardino in the heart of the Inland Empire (IE), the area east of downtown Los Angeles which encompasses Riverside and San Bernardino counties and is home to many of the warehouses and distribution facilities that receive much of the freight imported through the ports of Los Angeles and Long Beach.

With most of Southern California's 1.7 billion square feet of warehouse and distribution capacity in the IE, the area is a focal point in the region's transportation system and the U.S. supply chain.

As committee members are aware, the ports of Los Angeles and Long Beach, known collectively as the San Pedro Bay (SPB) ports, make up the largest seaport complex in the U.S., handling 40 percent of the nation's ocean freight. Together, they represent the fifth largest port complex in the world.

The maritime industry largely considers the SPB neighbors, with their 13 marine terminals, as a single port and in many respects they operate as one, though both are governed by their respective harbor commissions. Many steamship lines, for example, maintain vessel sharing agreements which provide them access to docks in both ports.

Likewise, some 9,000 drayage truck operators are authorized to move cargo containers throughout the harbor complex, moving 20,000 imported containers per day, approximately half of which are destined for IE distribution points.

While cargo traffic fell at the SPB ports as a result of the global recession, volumes are again on the rise as the national economy continues to recover. Port officials estimate that cargo traffic through the SPB complex will reach 15 million twenty-foot equivalent units (TEU) in 2013, a record high first set in 2006.

It is important to note that as a result of the economy and stricter port regulations on drivers authorized to access marine terminals, there are half as many drayage truck operators in the SPB ports today as there were in 2006. The driver shortage is magnified by two key issues which limit driver productivity and impact the flow of cargo to inland distribution points:

- The lack of five consecutive night gates at marine terminals; and
- Non-wheeled terminal operations.

Today, port truckers are forced to endure long waits – up to three hours – to enter port terminals, locate a chassis and pick-up a cargo container. In fact, drivers could plan on three round-trips per shift between the harbor complex and the IE as recently as 2006. In 2013, however, drivers are fortunate to make two round-trips given the long delays in the port complex.

Expanding access to the ports to reduce wait times has been a particular concern to harbor truckers since the creation of PierPASS in 2005, an initiative created by marine terminal operators to reduce congestion by imposing fees on cargo moves through the ports during peak daytime hours. The fee, which is charged to cargo owners, is currently \$120 per container.

Such an incentive to move cargo during off-peak evening and overnight hours produces significant savings for cargo owners. A major shipper which imports 50,000 containers a year, for example, saves \$6 million.

With assurances from PierPASS officials that marine terminals would operate five nights per week, typically from 6 p.m. to 2 a.m., cargo owners directed their drayage vendors to pick-up their cargo from port terminals during off-peak hours.

While terminal gates remain open during daytime hours Monday through Friday, terminals have generally operated just four night gates per week, Monday through Thursday. The result has been increased congestion in and around the ports during evening hours, causing long waits for drivers.

Moreover, terminal operators fail to adequately staff night operations, and most do not provide service during breaks and meal periods.

Occasionally, some marine terminal operators offer Saturday hours without charging the \$120 per container PierPASS fee. Skeleton staffing and the physical demands placed on drivers, most of whom are accustomed to working nights and prefer to rest on weekends, make Saturday gates unproductive to say the least.

Further complicating the flow of cargo is the move by terminal operators to non-wheeled operations whereby containers are stacked on terminal docks as they are off-loaded from cargo ships rather than being immediately placed on chassis for awaiting drayage trucks.

In 2006 when the SPB ports were experiencing record cargo volumes, containers were off-loaded directly onto chassis, the wheeled frames that are attached to the truck and support cargo containers.

Today, with increasingly larger ships carrying more containers – more than 10,000 TEU per vessel – and limited dock space, cargo is stacked several containers high and left to await the arrival of drayage trucks which are too-often delayed in long wait lines. Forthcoming Triple-E class vessels will have capacity up to 18,000 TEU and place even greater stress on terminal operations.

Once inside a marine terminal's gates, a drayage truck driver must first locate a chassis elsewhere in the port complex and then wait in line as his container is located and loaded onto his chassis before proceeding through the terminal exit process.

Driver turn times – the time spent inside a marine terminal to locate a chassis, pick-up a loaded container and complete the terminal exit process – average two hours today. In 2005 at the inception of PierPASS, driver turn times were generally under one hour with sufficient staffing levels to provide service throughout each shift, including meal and break periods.

To be clear, the issue is not labor. The lack of five consecutive night gates and the move away from wheeled operations are.

The inadequacies and inefficiencies in terminal operations are the result, I believe, of the budgetary decisions made by terminal operators and the steamship lines that support them. Nonetheless, their impact is felt most acutely by drayage truck drivers.

The plight of harbor drivers may not sound like an issue of concern for this panel and other Members of Congress. But drivers play a key in the supply chain and their work is critical to the efficient movement of freight regionally and nationally.

Expanding night gates at the harbor's 13 marine terminals to five consecutive nights Sunday through Thursday will offer a more practical and efficient approach to manage cargo flows, allowing drivers to rest each Friday, Saturday and much of Sunday.

With most cargo vessels arriving at SPB docks between Wednesday and Friday, with two days needed to unload, refreshed drivers could begin their work week on Sunday evening after cargo has been off-loaded over the weekend. Since traffic volumes on local freeways are generally lighter on Sunday evenings, drivers would likely experience fewer delays after leaving the harbor

complex. Moreover, containers will begin to reach local warehouses and distribution centers by Monday morning, which will better serve the needs of cargo owners, given their staffing levels and local delivery schedules.

Under the five-night approach, terminal operators could eliminate Saturday gates entirely. The trucking industry has made attempts to utilize Saturday gates however short staffing and lack of available cargo made weekend pick-ups unproductive, not to mention physically challenging for drivers who prefer to work nights.

At the same time, terminal operators should return to wheel-based operations, placing cargo containers directly on chassis for waiting drivers. While terminals have encountered space limitations as cargo volumes have recovered, it is worth noting that the ports are investing \$6 billion to expand and improve their facilities including build-outs into the harbor, essentially creating more coastal land.

Additional dock space would, in that case, reduce driver turn times and expedite the flow of cargo to local warehouses and distribution points.

With anticipated growth in cargo volumes in the next three to five years, I am confident that these changes can be made quickly and cost efficiently, particularly the five consecutive night gate schedule.

The solution, as some may propose, is not the expansion of local freeways. Such projects are costly and time consuming. A proposed 18-mile expansion of Interstate 710 from Los Angeles to the Port of Long Beach, for example, has an estimated cost of \$6 billion, according to the Natural Resources Defense Council. A cost of \$330 million per mile.

Nor is the answer to simply send more trucks into the harbor complex. Until the operational and space issues are resolved within the 13 marine terminals, adding to the 9,000 harbor trucks already in service will only create more congestion in the ports, further reducing driver productivity.

The long-term solution, in my view, is the creation of an Inland Port located in the IE which would be served by shuttle trains directly from the seaport complex. An inland provide, I believe, would provide tangible environmental and economic benefits.

One daily shuttle train, for example, could take 250 trucks off local freeways and as cargo volumes grow in coming years, additional trains could be added, taking 1,000 or more port trucks off roads between the harbor and the IE. The reduction in truck traffic on local freeways would further reduce diesel emissions and help to improve air quality in surrounding communities.

Ultimately, the shuttle trains to the IE would help to reduce congestion within the port complex and expedite goods movement throughout the supply chain.

Stakeholders including port authorities, steamship lines, marine terminal operators, longshore workers, clerical workers, equipment owners and harbor truckers have expressed their desire to work together to address these challenges. The solutions proposed here offer near and long-term benefits for all stakeholders.

The solutions may not be new ideas, yet the need for them has never been greater.

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Written Testimony of Mr. Rick Richmond,
former Chief Executive Officer, Alameda Corridor-East Construction Authority,
submitted to a field hearing of the Special Panel on 21st Century Freight Transportation
of the House Committee on Transportation and Infrastructure

"How Southern California Freight Transportation Challenges Impact the Nation"

Thursday, May 30, 2013 / Santa Fe Depot, San Bernardino, CA

Chairman Duncan, Ranking Member Nadler and Distinguished Members of the Panel:

Thank you for this opportunity to offer my perspective regarding how Southern California's freight transportation challenges impact the nation. By way of background, my professional experience in transportation spans 41 years at four different transportation agencies, starting at the Federal Urban Mass Transportation Administration, then at the Los Angeles County Transportation Commission, at New Jersey Transit, and most recently as the Chief Executive Officer of the Alameda Corridor-East Construction Authority in eastern Los Angeles County for 14 years.

I applaud your leadership in initiating this important information gathering effort and particularly for traveling to Southern California to understand firsthand the national implications and impacts of goods movement in our Nation's leading gateway for Pacific Rim trade.

Together, the ports of Los Angeles and Long Beach handle more than 40 percent of all shipping containers arriving by ocean vessel on our shores. Approximately three-quarters of these goods are then shipped to domestic destinations outside of Southern California, with about 60 percent of that transported by rail along the Alameda Corridor-East Trade Corridor through Los Angeles, Orange, Riverside and San Bernardino counties. This transcontinental commerce results in up to 100 freight trains a day traversing the Southern California region, with more than 90 percent of these trains heading east. By 2025, freight train counts are projected to increase to 250 trains per day along the BNSF and Union Pacific mainline rail network, according to a study conducted for the Southern California Association of Governments. The current recession has delayed projected trade growth in our region, but recovery is underway and the ports anticipate container volumes to triple over the next two decades.

To reduce emissions and roadway congestion and impacts, our region has sought to encourage a modal shift from trucks to trains for transcontinental freight arriving in the Southern California gateway region. Proposals supported regionally include on- and near-dock rail projects to facilitate more direct transfer of containers from ships to trains as well as railroad mainline capacity and grade separation projects. It is important to note that goods movement channeled through Southern California has widespread national economic benefits but also results in significant localized negative impacts. Increased freight rail traffic can create mounting safety, mobility, environmental and community impacts that degrade the region's quality of life and which could threaten this region's support for a modal shift to rail.

A key project to improve freight transportation while mitigating the impacts on our communities was the opening 11 years ago of the Alameda Corridor, a 20-mile, grade-separated railway that consolidated several freight mainlines in a single rail expressway. While the Alameda Corridor resolved a freight rail bottleneck between the San Pedro Bay ports and the transcontinental rail yards near downtown Los Angeles, it did not address the impacts of freight rail traffic which continues to the east, crossing Los Angeles, Orange, Riverside and San Bernardino counties. In many places these freight mainlines are shared with Metrolink commuter and Amtrak interstate passenger trains.

Prior to the opening of the Alameda Corridor, the adjoining four counties began planning to accommodate growing freight traffic. The Alameda Corridor-East Construction Authority was established in 1998 as a single-purpose local government authority charged with a \$1.7 billion program of constructing rail-roadway grade separations and at-grade crossing safety improvements. The purpose of the projects was to mitigate the impacts of significant increases in freight rail traffic along 70 miles of Union Pacific mainline railroad in the San Gabriel Valley in eastern Los Angeles County.

Grade separations, where the road goes over or under the railroad, eliminate traffic chokepoints and deadly collisions at crossings, reduce vehicle emissions and train noise, and help mitigate the impact of goods movement in Southern California. In the San Gabriel Valley, studies have shown that without the Alameda Corridor-East Program, traffic delays at rail-highway crossings would increase by 300 percent. Design engineering plans for the projects are developed with the review and approval of the railroads and provide sufficient capacity to accommodate the railroad's plans for future track expansion.

The regional significance of the Alameda Corridor-East grade separation program in Los Angeles County was soon recognized and the program replicated by other agencies in Orange, Riverside and San Bernardino counties. Congress recognized the national significance of the program and provided funding for and designated the Alameda Corridor-East Trade Corridor as a National High Priority Corridor in 1998 in the Transportation Equity Act for the 21st Century (TEA-21), followed by a designation and funding in 2005 as a Project of National and Regional Significance in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users Act (SAFETEA-LU).

This Federal investment supported the design and construction of an initial round of rail-highway crossing improvements, which was followed in subsequent years by a major commitment of Trade Corridor Improvement Funds provided to the region by the State of California as well as local sales tax measure funds provided by the counties. All told, the Alameda Corridor-East Construction Authority has successfully secured nearly \$1.5 billion in federal, state, county, local and railroad funding commitments for the Alameda Corridor-East program in Los Angeles County. The initial TEA-21 funding was an early catalyst for the Alameda Corridor-East program but the overall Federal share of this regionally and nationally significant program has declined to about 16 percent while today the Alameda Corridor-East Construction Authority faces a funding shortfall of about a quarter billion dollars to complete its program.

The shrinking share of federal funding illustrates why the National Freight Program authorized in the Moving Ahead for Progress in the 21st Century Act, or MAP-21, represents a critical and promising component of national transportation policy. Particularly important are the designation this year of a Primary Freight Network and the release by October 2015 of a National Freight Strategic Plan to identify freight bottlenecks, road, bridge and intermodal improvements and associated costs as well as best practices for mitigating the impacts of freight movement. Given that MAP-21 will expire next year, as you report to your colleagues on possible solutions to our national and regional freight challenges, the Alameda Corridor-East Construction Authority respectfully suggests the following:

Establish a National Freight Infrastructure Grant program

We strongly recommend that a National Freight Infrastructure Grant program be authorized in the next transportation program bill or other Federal legislation. A grant program specific to freight projects is warranted given that international trade and resulting interstate commerce is driven by national trade policies and due to the

national and regional impacts of goods movement on our economy and on our environment. A freight grant program should provide significant capital investment grants that improve the efficiency and safety of the national transportation system to move freight and mitigate the system's adverse impacts on local communities.

A grant program to provide stable funding specific to freight projects, and distinct from the TIGER general-purpose competitive grant program, would be critical to the Alameda Corridor-East Construction Authority. Because we are a single-purpose local government authority and grade separations do not easily fit in existing modal funding programs, we have not had access to Federal funds distributed by formula to the States and Federal funding received for our program has been Congressionally directed.

In addition, a grant program should leverage non-Federal funds by assigning priority to State and regions, such as Southern California's sales tax "self-help" counties, that have made a commitment to provide State and local matching funds. Eligible projects should include those that deliver critical safety, emissions, mobility and other regional and community environmental benefits in addition to projects that increase freight movement capacity, reliability and velocity. Eligible applicants should include States and local governments, ports and government-sponsored authorities with responsibility for implementing freight projects of national significance. Federal loan programs for infrastructure projects can be a significant source of leveraged funding for freight projects but many freight projects, such as grade separation projects, are unable to capitalize on a revenue stream and will continue to be reliant on grant programs.

Reauthorize the Projects of National and Regional Significance program

The Alameda Corridor-East Trade Corridor through four Southern California counties was previously designated by Congress and received federal funding as a Project of National and Regional Significance (PNRS) in SAFETEA-LU. The PNRS program can provide a significant and predictable source of Federal assistance over multiple years to major freight infrastructure projects which often have long timelines, are multi-jurisdictional and multi-modal and thus difficult to fund through the existing modal programs.

We were pleased that the Projects of National and Regional Significance program was authorized in MAP-21, but unfortunately it was not subsequently provided with appropriated funds. We recommend the program be reauthorized in successor legislation for megaprojects costing more than \$1 billion and refocused on goods movement projects of national and regional significance, similar to the original purpose

of the program in the SAFETEA-LU legislation. In MAP-21, eligible projects were expanded to include transit projects while eligible applicants were restricted to States, transit agencies and tribal entities, omitting ports and local governments and local government authorities. We strongly recommend that projects and applicants eligible for PNRs funding be similar to those pertaining to the freight grant program discussed above.

Include Nationally Significant Trade Corridors in the Primary Freight Network

The national freight network as defined in MAP-21 is highway-centric and we recommend this national network be redefined in a new transportation bill or other legislation to include nationally significant water and rail trade corridors and air and maritime ports of entry. We believe this expanded definition of a freight network acknowledges the multimodal reality of goods transport, in Southern California and elsewhere in the nation, and the Federal responsibility to support that network and mitigate the impacts of goods movement.

H.R. 974, the Multimodal Opportunities Via Enhanced Freight Act of 2013, or MOVE Freight Act, recognizes the multimodal nature of freight gateways and corridors and proposes to include nationally significant trade corridors of all modes in the national freight network. I thank Congressman Sires for introducing the Act, Congresswomen Brown, Hahn and Napolitano for being original co-sponsors of the Act, and respectfully request the panel members to consider supporting the legislation and the policies proposed in it, particularly the National Freight Infrastructure Investment Grant program.

In closing, I thank the Chairman and members of the panel for this opportunity to offer testimony concerning our national freight policies on behalf of the Alameda Corridor-East Construction Authority.



MAY 30, 2013

**UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE**

**"COMMITTEE PANEL HEARING IN SOUTHERN
CALIFORNIA: NATIONAL IMPORTANCE OF FREIGHT
TRANSPORTATION NETWORK"**

**WRITTEN TESTIMONY OF
JOHN S. HALIKOWSKI, DIRECTOR
ARIZONA DEPARTMENT OF TRANSPORTATION**

I would like to take this opportunity to thank you Chairman Duncan for accepting this written testimony on my behalf. It is an honor for me to provide input on matters of concern to the State of Arizona regarding the importance of the freight and rail transportation network in this western region of the United States.

My name is John Halikowski, and I have the privilege of serving as the Director of the Arizona Department of Transportation. I wanted to take this opportunity to express my concerns of a matter which is critical to the growth of transportation infrastructure in both California and Arizona.

Chairman Duncan, aging regional and National freight transportation networks has become inextricably linked to everything from record high growth rates, to unparalleled and expansionary consumer demand, to quickly growing international and domestic economic, commerce, and trade opportunities. Although governments, institutions, and economies transitioned into the 21st century throughout the last decade, major financial investments in regional and National transportation infrastructure have not kept pace with historical, as well as subsequent and ongoing, 21st century freight transportation demands.

Moreover, unmet infrastructure supply for 21st century demand has created congestion and bottlenecks, which indirectly shifts costs and expenses from suppliers to consumers, as well as long-term infrastructure deficits, thereby limiting regional partnering, global competition, economic efficiency, and freight mobility. For example, the Southwest Triangle – Southern California, Phoenix and Tucson Metropolitan Statistical Areas, and the greater Mojave region centered on Las Vegas – is a megaregion with the most substantial absence of surface transportation infrastructure when compared to any other U.S. megaregion despite growth rates from the U.S. Census Bureau, between 2000 and 2010, showing a rate almost double that of the U.S. rate as a whole. As such, the Arizona Department of Transportation (ADOT), in an effort to advance the efficient and effective movement of regional and National freight, supports regional, cooperative, and collaborative projects, solutions, and partnerships that seek to improve, enhance, and augment Southern California's ability to more efficiently, effectively, and reliably transport goods and services through its deep-water and maritime ports, as well as its rail, highway, and air corridors.

Further, Arizona has, and will continue to, provide, assist, and support the Nation's complex, interconnected, and evolving intermodal freight network, growing economic and commercial opportunities, and other infrastructural demands created by a globalized 21st century economy.

Public-Private Collaboration

Addressing the challenges of 21st century freight transportation requires collegial, collaborative involvement by both public and private sectors to promote and champion the importance freight transportation will have on recovering, growing, and future communities, economies, and governments. In Arizona, the Transportation and Trade Corridor Alliance (TTCA) was established in 2012 as an ongoing collaborative effort between ADOT, the Arizona-Mexico Commission, and the Arizona Commerce Authority to bring together public and private sectors, state and local governments, regional planning organizations, transportation and logistics companies, port authorities, and other relevant stakeholders to assess current and potential opportunities for job creation, investment, and regional growth. What is more, this group addresses local initiatives and opportunities through a broader, statewide, and systems-oriented transportation and trade perspective, identifies and explores innovative ways to plan, design, and increase the competitive economic value of trade corridors, discusses major opportunities and challenges that impact global logistics, and strives to plan, design, and integrate multimodal and intermodal transportation facilities and corridors to encourage and inspire job diversification and sustainable, responsible growth, development, and opportunity.

Below are several examples studied, designed, and/or implemented in Arizona to mitigate congestion, improve freight mobility, augment commerce, and reduce delays on the National freight network through innovative, collaborative, and systems-based planning and design perspectives.

Rail

The freight railroad network in Arizona is composed of two – Burlington Northern Santa Fe Railway (BNSF) and Union Pacific Railroad (UPRR) – Class 1 railroads, which run adjacent to major Interstate highways such as I-8, I-10, I-19, and I-40, as well as a number of other short line railroads such as Grand Canyon Railway and the Arizona and California Railroad. The total railroad network is approximately 1,683 miles and operates on more than 10 corridors (mainlines, branches, and short lines) with freight transportation demand anticipated to increase.

Commodity forecasts suggest rail will be the fastest growing mode in Arizona with commodity volumes – such as coal, metallic ores, and wood – increasing by 78 percent over the next 20 years, with a significant share coming from Southern California to the Nation's interior.¹ However, a major shortcoming is that Arizona only has one

¹ Arizona Department of Transportation. "Technical Memorandum Number 3: Multimodal Freight Analysis Study – Strategic Decisions for Freight Planning." 2009.

single-track mainline north-south railroad corridor to relieve the National freight network between Phoenix and Tucson. This makes I-10 the only high-capacity corridor connecting Phoenix and Tucson even though studies indicate that I-10 needs to be widened to 10 lanes with additional multimodal capacity to accommodate freight and traffic movements. Since this rail corridor is a primary movement of cargo from Southern California, this, consequently, creates more congestion on major Arizona and California Interstate corridors such as I-17, I-10, and I-19, and I-5 and I-15, respectively, increases shipment costs on suppliers, thereby shifting an indirect expense onto consumers, and does not address long-term infrastructure being necessitated by growing demands of 21st century freight transportation.² Further, rail traffic in and through Arizona is expected to double by 2030, with the rail network moving an additional 140 million tons, and triple by 2050.³

To meet this freight demand, Arizona has supported several projects to improve the movement of freight from Southern California. For example, the Sunset Route is a 760-mile UPRR Corridor which follows an east-west alignment across not only the entire state of Arizona, but the entire region from Los Angeles to El Paso. This important route is UPRR's primary line between Southern California, the southeast, the Midwest, as well as Mexico through either El Paso or Laredo. In 2010, UPRR spent \$18 million to complete 9 miles of double-tracking in Imperial County, CA, as well as 9 miles in Maricopa County, AZ. This was a critical investment made by UPRR since 24 percent of all freight cars originating or terminating in Southern California end up on the Sunset Route Corridor.

In another example, ADOT made an investment to benefit the National freight network through its Marsh Station Area Improvement Project, which occurred 15 miles west of Benson, AZ, and was completed by ADOT March of this year (2013). Specifically, this project eliminated an outdated traffic interchange to allow taller commercial vehicles to travel on the I-10 Corridor while allowing those vehicles to avoid a 67-mile detour. In addition, this project provided a more direct rail line for UPRR by realigning the line and eliminating an overpass preventing optimum commercial vehicle demand. The National freight network benefitted by not only reducing travel time, but also by increasing the speed at which freight could be safely transported by both rail and commercial vehicle, reduced total transportation costs, and, most important, provided additional capacity to create a more innovative, collaborative, and intermodal National freight network.

² Arizona Department of Transportation. "Arizona Statewide Travel Demand Model." 2012.

³ Ibid.

UPRR is also in the process of studying a classification yard between Phoenix and Tucson (Red Rock), which may eventually include intermodal facilities and additional rail-yard capacity that supports integrated supply chain strategies. This facility will enhance the movement of freight since both Phoenix and Tucson rail-yards cannot expand due to physical limitations.

Improving, modernizing, and upgrading railroad networks to accommodate intermodal transportation facilities is important to promote economic vitality, environmental sustainability, reduce energy consumption, and improve freight mobility. Several other rail opportunities in Arizona that may relieve constrained capacity, improve freight mobility, and benefit regional, domestic, and international economies include:

- Restoring 80 miles of the Wellton Branch, which closed in 1996, may allow for construction of a Rio Rico Siding to reduce train delays in Nogales and/or restore Amtrak passenger rail services to Phoenix. This would also increase connectivity between Phoenix and Southern California to help commodity distribution and manufacturing throughout the State. After the Wellton Branch closed, freight traffic destined for Phoenix is now shipped to Tucson where it is consolidated and shipped to Phoenix.
- ADOT's Passenger Rail Corridor Study is currently analyzing the effects of a Phoenix-Tucson commuter rail and studying existing, and studying current/future travel patterns, population, employment growth, and travel demand using 2050 estimates. If completed, the added rail capacity would strengthen the north-south rail network in Arizona.
- In 2006, the Port of Guaymas processed more than 3.3 million tons of cargo, most of which entered the U.S. through Nogales.⁴ In short, a new rail corridor may be constructed that leaves the UPRR's Sunset Corridor, crosses the international border near San Luis II, and joins the Ferromex Calxico subdivision. This would effectively connect freight shipment from the Port of Guaymas, which is located on the Gulf of California in the state of Sonora, Mexico.

⁴ CH2M HILL and Wilbur Smith Associates Inc. "I-15 Corridor Characteristics: Intelligent Transportation Systems." 2011.

- TTCA could study, in the meantime, the economic, regional, and distributional impact of a proposed inland port in Yuma to a rail line connecting the proposed port at Punta Colonet, Mexico.
- Partnering with BNSF to improve operations along the Peavine line, which connects Phoenix to a location just east of Williams, AZ, may significantly improve freight mobility by improving the connection to the Arizona and California Railroad, which is the most direct rail route between Phoenix and Southern California.
- The BNSF Transcon Corridor, which connects Los Angeles with Chicago and passes along northern Arizona, can be triple-tracked to accommodate freight transportation and improve passenger rail service between northern Arizona cities.

Ports

By 2040, imports from Mexico through Arizona border crossings are expected to double to more than 13.4 million tons, and exports are expected to quadruple to more than 18.6 million tons, thereby creating a total trade value of \$66.2 billion.⁵ The primary destinations and origins for imports and exports entering through Arizona land ports of entry (LPOE) in 2040 will be California, Arizona, Michigan, and Texas, with 88 percent of crossings by truck and only 12 percent by rail.⁶ In 2006, the San Diego Association of Governments estimated that border congestion cost California \$6 billion. This not only underscores the economic impact that accompanies inadequate investments in our freight network, but also burgeoning economic and trade opportunities in Mexico that are foregone.

What is more, the Arizona-Sonora Border Master Plan studied LPOEs and related and needed multimodal transportation improvements along the Arizona-Sonora border to prioritize and coordinate, by working with officials in Sonora, Mexico, implementation of projects to ensure consistency in infrastructure development and to improve freight movement. Several of these expansion plans include new rail lines, freight processing facilities, and improved roadway connections. LPOEs are a key aspect of freight movement, with about \$33 billion in trade value in Otay Mesa, CA, and \$22 billion in Nogales, AZ.⁷ Specifically, Nogales, AZ, is where approximately 90 percent of goods that flow through Arizona crosses and where 40 percent of the fresh produce imported through all U.S.-to-Mexico LPOEs is processed.⁸ In 2009, the

⁵ CH2M HILL and AECOM. "I-11 and Intermountain West Corridor Study: Corridor Justification Study." 2013.

⁶ Federal Highway Administration. "Freight Analysis Framework Version 3." 2012.

⁷ Bureau of Transportation Statistics. "Transborder Freight Data." 2012.

⁸ Arizona Department of Transportation. "Arizona-Sonora Border Master Plan." 2013.

American Recovery and Reinvestment Act provided \$180 million for upgrades and renovations to the Mariposa LPOE. When completed, this project will accommodate eight lanes instead of four for commercial traffic and six lanes instead of four for private vehicles.

Expanding and modernizing LPOEs provides alternatives, mitigates congestion, and improves freight mobility in Arizona, Southern California, and in Mexico while spurring commerce for local, regional, national, and international economies; especially as trade with Mexico – the 14th largest economy – is expected to increase and nearshoring – moving manufactured goods production to Mexico – lowers transportation costs, reduces exposure to commodity price fluctuations, and requires less fuel consumption.⁹

Although expanded and modernized international LPOEs mitigates constrained National freight networks, it is also important to note the impact of inland ports and facilities. These are facilities that can serve the growing Sun Corridor while also addressing some of the capacity constraints of Southern California. Currently, Arizona only has one inland port, which is located in Tucson along UPRR's Sunset Route, but has studied sites near Flagstaff, Yuma, and Kingman. In addition, inland ports can provide specialized expertise and foster value for freight shippers through special equipment, loading, unloading, and intermodalism. For example, the Yuma Logistics Center is envisioned to be an inland port that could allow containers to bypass Southern California to have customs inspections and procedures completed in Yuma. In northern Arizona, the City of Flagstaff and the Flagstaff Metropolitan Planning Organization have identified Bellmont-Camp Navajo as a potential inland port or intermodal facility. As envisioned, these projects would demonstrate regional partnership, infrastructure accommodation, and relief for congested freight networks.

Highways

Arizona's growing population (12 million by 2050) will drive an increase in demand for freight transportation services, and its location to major international trade gateways in Southern California and population centers in the middle and eastern portion of the U.S. will intensify regional infrastructure demands. There are approximately 55,000 roadway miles in Arizona. Of that, Interstate corridors represent 2.1 percent, but account for more than 25 percent of travel volume. The primary Interstate highway corridors supporting freight transportation through Arizona are I-10 and I-40 – both designated high priority corridors. However, other Interstate corridors such as I-15, I-

⁹ Schwartz, Shelley. "What's in the Next Global Manufacturing Superpower?" CNBC. 2012.

17, I-19, and I-8 are also impacted by freight transportation, especially as areas around these corridors increase in population, development, and commerce.

Arizona highway projects, both planned and implemented, along major Interstate and State Route (SR) corridors will improve the movement of freight, increase access, and relieve regional congestion:

- The proposed Loop 202 South Mountain Freeway is an eight-lane, 22-mile extension with the eastern section connecting I-10 to the current Loop 202 and the western section veering north to connect the freeway loop to I-10. By adding highway capacity, it is anticipated that freight mobility on the Interstate will improve as vehicles and trucks will have more travel options. Estimated at \$1.9 billion, this will be the third largest public works project in the United States.
- In 2012, ADOT completed the Design Concept Report and Final Environmental Assessment for long-term improvements (2030) along I-19 to the I-10 interchange in Tucson. This project will be completed over eight phases and will add lanes, reconstruct traffic interchanges, and include additional freeway ramps.
- I-10 widening projects through the Tucson area to accommodate four lanes in each direction along congested areas, which is estimated to be complete by 2014. This project will also improve rail freight movement by allowing motorists to pass over UPRR tracks, thereby reducing delays and congestion.
- SR 85, which is a route used by trucks to bypass Phoenix, is being improved to freeway standards since it has connections to I-10 and I-8. These improvements are projected to reduce trucks that just pass through the greater Phoenix area, thereby relieving congestion on I-10.
- ADOT has invested \$500 million in widening the U.S. 93 over the last few years between Wickenburg and the Mike O'Callaghan-Pat Tillman Memorial Bridge, itself a bypass for traversing the Hoover Dam on the way to Las Vegas. ADOT envisions eventually transforming this route into a four-lane divided highway through the entire 200-mile stretch. Last, this route is also being studied as part of the I-11 Corridor.

Intermountain West Corridor

The most recently enacted Federal transportation reauthorization, Moving Ahead for Progress in the 21st Century, designated I-11 as a future Interstate corridor. Specifically,

the I-11 Corridor would directly link Phoenix and Las Vegas, which are the two largest metropolitan areas not directly connected by an Interstate corridor. This Corridor may also connect up to 30 military installations, provide ground-based transportation to overused airports, and further the development, growth, and opportunity of the CANAMEX Corridor.

The vision of an I-11 Corridor provides for a new high-capacity, multimodal transportation facility that connects major trade hubs, enhances economic development, improves global competitiveness, and provides much-needed congestion relief for other regional north-south Interstate corridors in Southern California, such as I-5 and I-15 (these are the only north-south Interstate corridors in more than one state west of Texas). Providing an alternative north-south connection in the western U.S. is crucial to ensure timely, efficient, and competitive trade, especially when the I-11 Corridor may provide a direct, limited-access highway, thereby addressing a longstanding infrastructural deficit in the National freight network, as well as create additional rail capacity.

The I-11 Corridor fills the transportation gap in terms of efficient, high-speed, domestic north-south travel, provides expeditious linkages between existing and future foreign ports and critical east-west, high-speed transportation corridors, and the I-11 junctions will create substantial regional and shared economic opportunities that will create value, support regional partnerships, and provide critical relief to Southern California's freight challenges by serving the Nation's north-south transportation needs from Mexico to Canada.

Apparent competition between neighboring cities and metropolitan areas is giving way to a broader concept of regions sharing business linkages while part of a larger economic system. For example, the Texas Triangle megaregion – San Antonio, Dallas, and Houston – and the larger North America's SuperCorridor Coalition, which runs from Pacific ports in Mexico and includes various highways, rail lines, inland ports, supports the movement of 71 million people and \$1 trillion in trade value between three Nations.¹⁰

Currently, the I-11 and Intermountain West Corridor Study is underway and remains a high priority for Nevada and Arizona, metropolitan planning organizations, the Federal Highway Administration, and the Federal Railroad Administration. Freight linkages between Southern California, new and expanding ports in Mexico and Canada, future inland ports and commerce centers, provide potential to stimulate the development of new growth and expansion – such as freight and passenger rail – all while spurring community and economic development opportunities spanning through

¹⁰ Inbound Logistics. "NASCO: North America's SuperCorridor Coalition." 2007.

the entire corridor that serves the foundation for a stronger, more diversified Intermountain West.

Air

Airports provide regional economies an opportunity to have a significant presence in economic trade, commerce, and freight movement. In Arizona, the international airports supporting air cargo include Phoenix Sky Harbor, Tucson International, Laughlin-Bullhead International, and Yuma International. In addition, although not an international airport, Phoenix-Mesa Gateway also supports scheduled and charter air cargo operations. Moreover, all of these airports, except for Laughlin-Bullhead, are complete with customs and inspection personnel, equipment, and services, thereby allowing international freight to move more efficiently while relieving congestion on surface transportation corridors. Other airports supporting air cargo in Arizona include the Ernest A. Love Field in Prescott, the Flagstaff Pulliam Airport, and Show Low Regional.

Air cargo carriers are typically classified into three categories: 1) integrated express (e.g., DHL, UPS, FedEx, and USPS); 2) all-cargo (Arizona examples include Airnet Express and AmeriFlight); and 3) commercial passenger. Having facilities to accommodate air cargo is important for the movement of consumer goods and products to domestic and international markets as well as to relieve the Nation's surface transportation freight corridors. For example, Southern California emerges as a leader in air cargo facilities due to its location as an international gateway from the Pacific Rim and Mexico, concentrated population distributions, and proximity to intermodal distribution and logistics facilities. In another example, a direct British Airways flight between Phoenix and London was established largely by a demand for fresh produce.

Airports are anticipated to face capacity expansion challenges as worldwide air freight is forecasted to more than double over the next 20 years. Further, North American air trade from and to Canada, Latin America, and Asia is expected to grow between 5 and 6 percent annually.¹¹ However, the Los Angeles-Las Vegas and the Los Angeles-Phoenix air corridors represent 2 of the 10 busiest air systems in the country.¹² Although the three major cities have major international airports, there is still a National freight transportation infrastructure deficit, thereby increasing demand for air travel less than 400 miles despite multiple logistical and economic challenges indicated by studies.

¹¹ Boeing. World Air Cargo Forecast – 2012-13. 2012.

¹² Brookings Institution. "Expect Delays: An Analysis of Air Travel Trends in the United States." 2009.

Conclusion

As freight movement increases along major trade corridors, it impacts the efficiency and productivity of ports and rail, highway, and air corridors that serve the National freight network. Growth in Asian markets, specifically China and Pacific Rim countries such as the Philippines and Malaysia, are projected to grow at roughly 8 percent over the next five years.¹³ As such, container volumes through Southern California are anticipated to nearly triple from 14 million 20-foot equivalent units (TEUs)¹⁴ in 2011 to 43 million TEUs by 2035.

Through strategic and regional investments in the National freight network, the Southwest Triangle will be on a burgeoning, yet promising, trajectory to be the only region with linkages to several of the world's fastest growing economies in Asia and Latin America.¹⁵ Strategic partnerships, innovative multimodal planning and design, and regional cooperation will ensure freight transportation corridors greatly benefit local, regional, domestic, and international economies, increase freight mobility, and improve public safety all while supporting efficient and effective intermodal freight transport from Southern California, which is home to the 6th largest port complex in the world, handles over 14 million TEUs, and infuses over \$400 billion in trade to the National economy.¹⁶ For example, the National I-10 Freight Corridor Coalition, which both California and Arizona are a part of, serves as an important example of partnering among States with a major Interstate corridor to ensure priority in planning and operations at the Federal level – it is this type of partnering that typifies the critical linkages in 21st century global economies.

In short, accommodating the demands of 21st century freight transportation requires planning critical and needed infrastructure investments, projects, and initiatives that are integral to developing, supporting, and promoting a robust 21st century National freight network. Arizona is positioned to provide major transportation hubs with its close proximity to, and ever-increasing trade with, California, Mexico, and Las Vegas. Planning and investing in transportation and trade corridors through projects like the I-11 Corridor, a possible major multimodal north-south transcontinental corridor, the Passenger Rail Corridor Study, which studies rail between Arizona's two largest cities, Phoenix and Tucson, and the Border Master Plan, which addresses infrastructure needs for Arizona's six international POEs, demonstrate the economic value and leverage an efficient, effective, safe, and reliable National freight

¹³ International Monetary Fund. "World Economic Outlook Database." 2012.

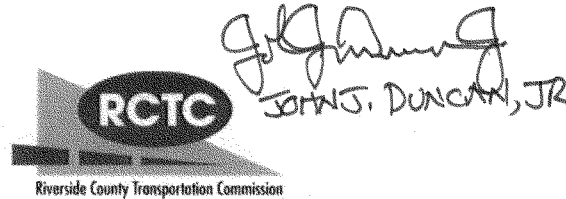
¹⁴ A TEU is a standard unit to describe a ship's cargo carrying capacity, or a ship terminal's cargo handling capacity.

¹⁵ The World Bank. "Global Economic Prospects: Assuring Growth Over the Medium Term." Volume 6, 2013.

¹⁶ Southern California Association of Governments. "Regional Transportation Plan 2012-2035 Sustainable Communities Strategy." 2011.

network will have on multifaceted, ever-evolving, complex, and interconnected economies, governments, and institutions, as well as major infrastructure designs, planning priorities, and investments.

Chairman Duncan, thank you again for allowing me the opportunity submit this testimony to your Committee Panel Hearing on the National Importance of Freight Transportation Network. If needed, I am willing to appear before the full Committee on Transportation and Infrastructure to further discuss this matter in greater detail.



Testimony of Anne Mayer, Executive Director, Riverside County Transportation Commission (RCTC)

May 30, 2013

Chairman Duncan and members of the Panel on 21st Century Freight Transportation.

Thank you for holding a hearing in Southern California's Inland Empire. You have chosen a location with historic ties to the railroads and interstate highways that connect our heartland to the rest of the globe. Today, Inland Southern California continues to serve as the loading dock for commerce across America. Although today you are visiting San Bernardino County, just to the south is Riverside County. Our county has 2.2 million people and has similar growth patterns, industries, and demographics as San Bernardino; we are expected to be California's second most populous county behind Los Angeles by 2050. Geographically, we are the size of New Jersey. Riverside County is a crossroads of international trade, home to major goods movement corridors – including two NAFTA corridors such as I-15, I-10, SR-60, SR-91, SR-86, and both the Union Pacific Rail Road and Burlington Northern Santa Fe mainlines that carry freight to and from the Ports of Los Angeles and Long Beach.

As the House Transportation and Infrastructure Committee looks toward the next federal transportation bill, RCTC would like to bring the following issues to your attention.

National Freight Network

RCTC is concerned the National Freight Network will not adequately demonstrate the true significance of Southern California to the national freight system. Although we understand the difficult task that lies ahead to designate a network capturing the complexity of freight movement across the nation, we are concerned about the conflicting factors and data sources identified in the February 6, 2013 Federal Register notice – namely, the Freight Analysis Framework (FAF3.4) truck tonnage data and the Highway Performance Monitoring System (HPMS) truck volumes. These factors and data appear to serve two different purposes. This is illustrated in the attached maps that show the potential impacts of using different factors (one at a time) to designate the primary freight network:

- The FAF allocated truck tonnage data makes sense for long-haul state-to-state flows, but doesn't capture the complex supply chain flows occurring on the Southern California highway network. Using FAF data alone would result in a sparse freight network in Southern California.
- In contrast, the HPMS truck volumes show trucks use most of the urban freeways in Southern California. This is consistent with the Southern California Association of Governments own detailed freight modeling and planning work.

We support a greater emphasis on the use of HPMS truck volumes to ensure comprehensive coverage of major metropolitan gateway regions and ensure recognition of their pivotal roles in the national

Testimony of Anne Mayer
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distribution of freight. This is particularly important as Southern California's high regional truck volumes are primarily the result of truck activities meeting national needs.

While Southern California has a large population, the very high truck volumes shown in the HPMS data are not due to the region's population alone. Southern California has a disproportionately high percentage of truck traffic when compared nationally, roughly four times more high-usage truck corridors than our population would suggest. Much of the freight moving through Southern California is headed to destinations outside of the region.

Mitigating Impacts of Freight Movement

While the logistics industry is an economic boon to our region, the high volume and concentration of freight activity creates externalities shouldered by our residents that must be addressed.

Riverside County is frequently listed as having among the worst air quality in the nation. Our geographic position in a valley that captures the smog from Los Angeles means port pollution does not stop at the port. Harmful emissions from ships do find their way inland, adding to the pollution generated by rail yards in Mira Loma and San Bernardino, just outside where this panel is meeting.

The heavy presence of trucks and trains also has day-to-day consequences to our residents and businesses. Our highways and local roads see quicker deterioration from frequent truck traffic. Forty-six at-grade crossings with UPRR and BNSF mainlines creates hours of delay for motorists at crossing gates contributing to increased pollution, loss of economic productivity, and even public safety hazards when entire urban areas are bisected and rendered inaccessible to emergency vehicles by slow-moving trains.

RCTC has been most proactive on the issue of grade separations. Starting in 2006, RCTC engaged in an aggressive program to prioritize and fund the most critical grade separations in the county. To date, four grade separations have been completed, two are under construction, seven will be under construction by the end of 2013, and two have been permanently closed.

Recognizing port traffic will increase in the future, this grade separation program must continue. The key to our success will be federal partnership. Local and state funds have carried the lion's share of the load to date. Yet international trade and interstate commerce is truly a federal issue; our residents are feeling the brunt of these activities with little federal financial assistance. We strongly encourage Congress to act in the next authorization bill to increase federal participation in grade separation and mitigation projects that address the impacts of goods movement. Capacity enhancements to the freight system must go hand-in-hand with mitigation of the impacts. This balanced approach is the only approach that will be tolerable to our constituents, who continue to subsidize the consumer economies of other areas of the nation.

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Specifically, RCTC recommends any goods movement funding program created by Congress include project eligibility language that explicitly mentions "mitigation of freight impacts on local and regional communities" and "highway-rail grade separations", even if such projects are not located on the National Freight Network, or on the state highway system.

Funding

Building on almost two decades of work to develop and understand the role and needs of goods movement in Southern California, our regional freight transportation plan identifies nearly \$60 billion in capital investment needs to support business access to transportation services and facilities. The national imperative of modernizing our goods movement infrastructure is well chronicled by Congressional commissions, research entities, and studies by states, regions, and industry groups. For more than six years, California has had a State Goods Movement Action Plan and Southern California has had a Multi-County Goods Movement Action Plan. The needs are well-known and documented. Congressional leadership is needed to create a dedicated revenue stream to fund freight projects. Clearly, this is the most pressing unanswered question at today's hearing. California is ready to stand with and support you in these efforts.

RCTC supported user-fee approaches such as Representative Ken Calvert's ON TIME Act, an equitable measure which would levy an ad valorem fee to imports and exports at all ports of entry and return revenues to the corridors where the fees are collected. This approach solves a key concern raised by Representative Napolitano at the hearing regarding freight that enters the U.S. via the Mexican and Canadian borders: the fee applies to freight uniformly whether it arrives or leaves by ship, train, truck, or plane. Other Members of Congress have offered similar meritorious user-fee ideas that deserve to be vetted.

We recognize raising revenue can be politically difficult; however, let the California experience offer encouragement. Our Commission, as well as 18 other regional bodies of elected officials in California, has successfully placed transportation revenue measures before voters that raise sales taxes and commit to funding specific projects. These taxes have sunset dates; if our agency wishes to renew the tax, we must go back before the voters with a new list of projects and demonstrate we delivered on the last 30 years of promised projects. California's constitution requires these measures to pass with a 2/3rds supermajority. When the voters understand what they are paying for, see direct benefits, and those projects come to fruition, government can earn – and keep – their trust.

Finally, RCTC speaks in support of reform to the Harbor Maintenance Trust (HMT) fund. Specifically, RCTC supports the eligibility of HMT revenue used on landside infrastructure related to port traffic movement. Senator Dianne Feinstein introduced Senate AMDT. 838 to the Water Resources Development Act, which RCTC strongly supported, although it was not included in the Senate's final bill. Congress and the private sector must understand the nexus between growth in port traffic and

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the strain it places on landside infrastructure; and the competitiveness that can be gained when the landside part of the system is made more efficient. Allowing revenue from the HMT Fund to be used for landside infrastructure would serve as another opportunity to balance community health, quality of life and enhancement of the nation's freight network.

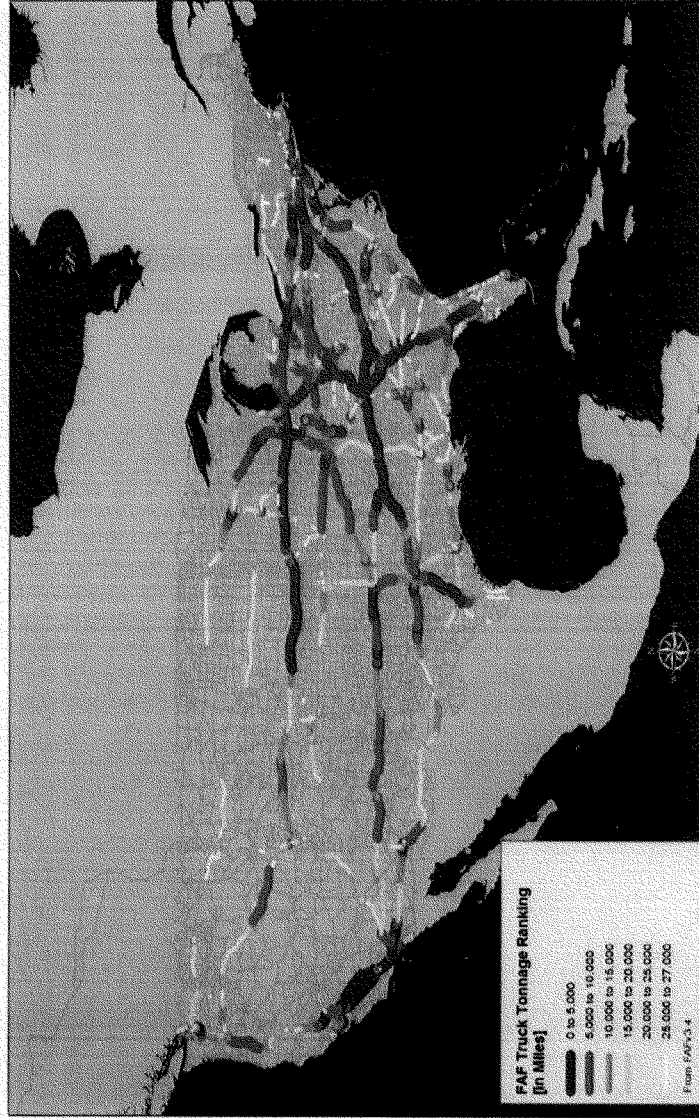
In closing, thank you for taking the time to see first-hand the Southern California goods movement challenges and understanding the national importance of our region. We are eager to be part of the solutions you are crafting for the next authorization bill. RCTC applauds your focus on specific policy recommendations. I hope this testimony has assisted you. We are happy to contribute further at your request.

Respectfully submitted,

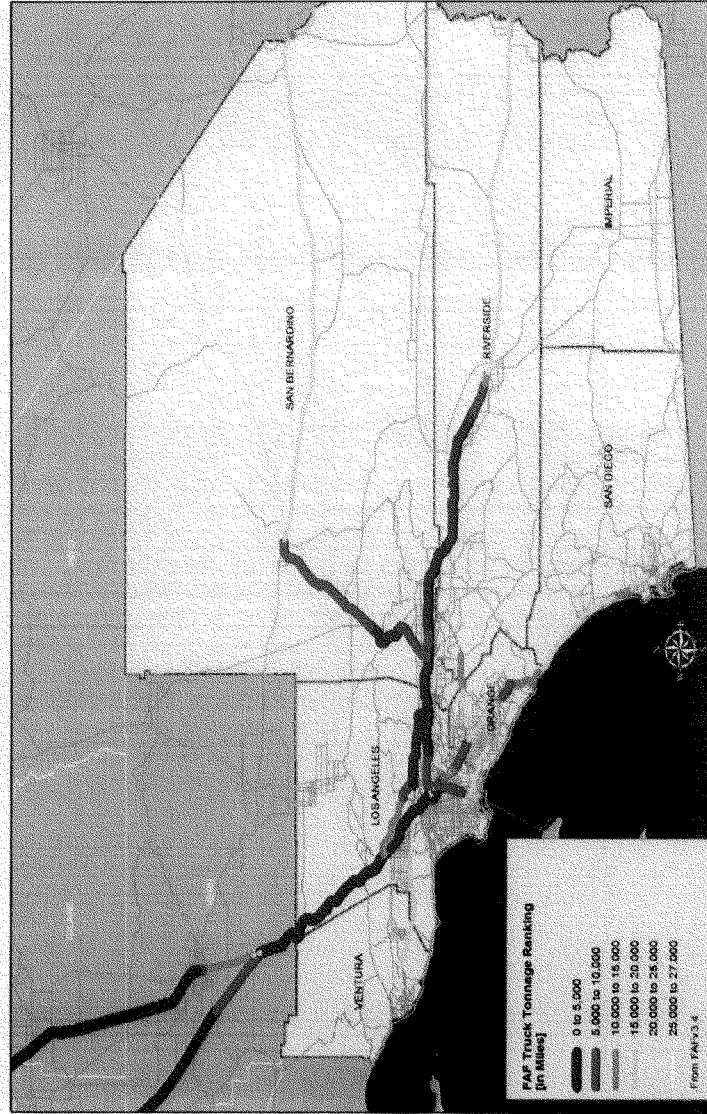
A handwritten signature in black ink that reads "Anne Mayer". The signature is fluid and cursive, with the first and last names clearly legible.

Anne Mayer
Executive Director

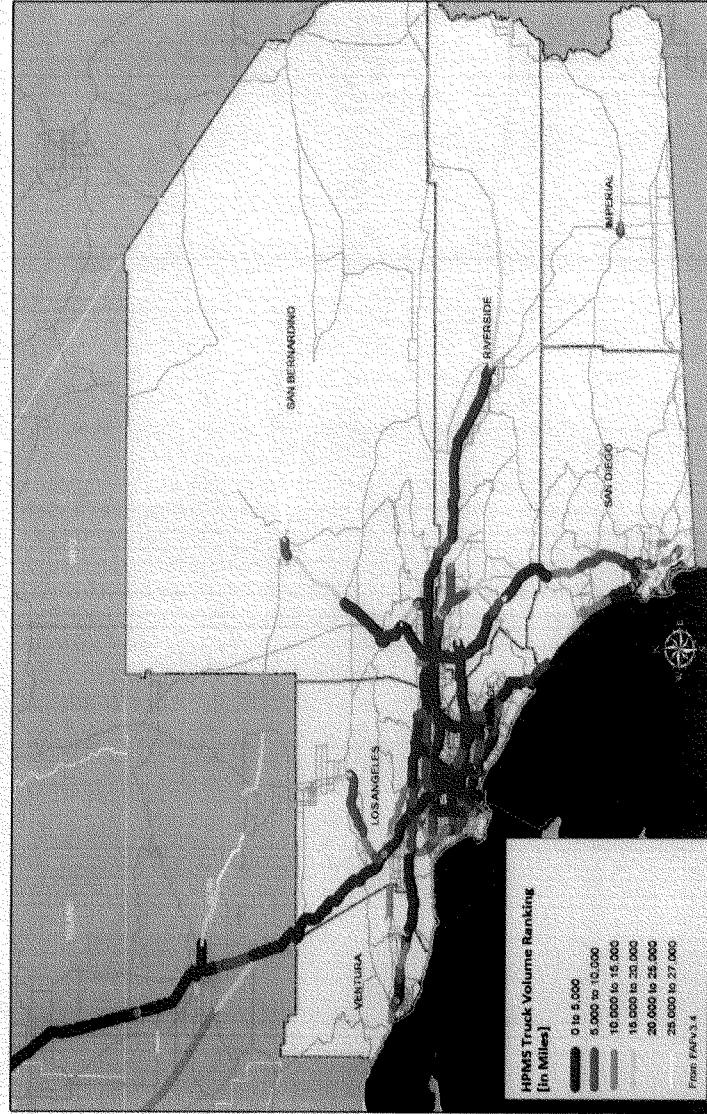
Applying Criteria – FAF Truck Tons



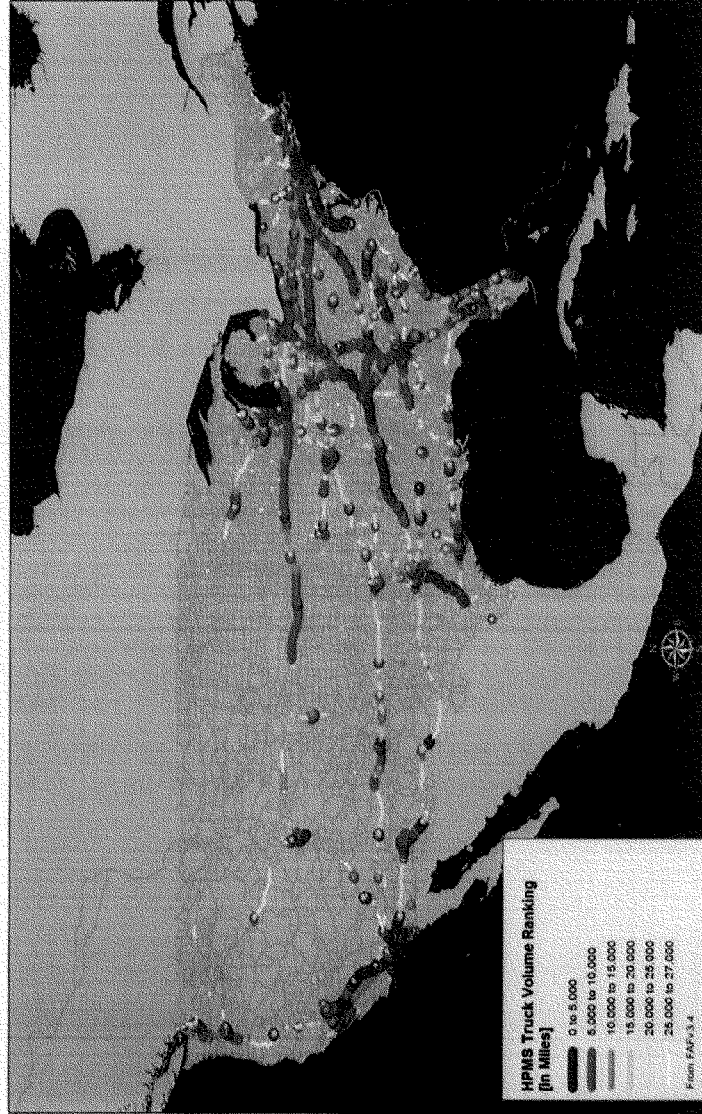
Applying Criteria – FAF Truck Tons



Applying Criteria – HPMS Truck Volumes



Applying Criteria – HPMS Truck Volumes





San Bernardino Associated Governments

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•San Bernardino County Transportation Commission •San Bernardino County Transportation Authority
 •San Bernardino County Congestion Management Agency •Service Authority for Freeway Emergencies

May 24, 2013

The Honorable John J. Duncan, Jr.
 Chairman, Panel on 21st Century Freight Transportation
 House Transportation and Infrastructure Committee
 U.S. House of Representatives
 2165 Rayburn House Office Building
 Washington, DC 20515

Dear Chairman Duncan,

On behalf of the San Bernardino Associated Governments (SANBAG), we want to take this opportunity to welcome you to our region. Thank you for your focus and leadership on this critical issue and for taking the time to travel to Southern California to see the unique challenges faced by our region.

As you have no doubt been made aware, 40% of the nation's containerized goods come through the Ports of Long Beach and Los Angeles and 80% of that funnels through San Bernardino County. San Bernardino County clearly serves as one of the primary gateways for the nation's goods movement system. In addition, the distribution and logistics sector employs 123,000 workers in this region and is currently the fastest growing sector. As the container volumes at the Ports of Long Beach and Los Angeles recover to pre-2009 levels, the economic benefits will continue to accrue but at the same time these higher volumes place increasing demands on an already overburdened transportation system. For example, Southern California already has approximately 4 times more high usage truck corridors than our population numbers suggest when compared to other corridors in the nation.

We also recognize that although the Ports are a significant component of the overall system, Goods Movement does not begin and end at the ports of entry and should not signal the full extent of federal support for goods movement corridors. Goods movement corridors beyond the port complexes are suffering due to lack of investment, leading to disproportionate, far-reaching, and significant impacts on both local communities and the country as a whole.

San Bernardino County suffers from the worst 24-hour PM 2.5 concentrations and worst 1-hour and 8-hour ozone concentrations in Southern California – between 130 and 180 percent of federal standards, resulting largely from goods movement activities. Southern California will need to reduce NOx emissions by two-thirds by 2023 and three-quarters by 2032 to meet federal ozone standards. Projected emissions of NOx from three goods movement sources alone – ships, trains and heavy duty diesel trucks – will be above what is needed to achieve the federal 8-hour ozone standard by 2023, under existing regulations.

JD130524-JR

Cities of: Adelanto, Barstow, Big Bear Lake, Chino, Chino Hills, Colton, Fontana, Grand Terrace, Hesperia, Highland, Loma Linda, Montclair
 Needlex, Ontario, Rancho Cucamonga, Redlands, Rialto, San Bernardino, Twentynine Palms, Upland, Victorville, Yucaipa
 Towns of: Apple Valley, Yucca Valley County of San Bernardino

Moving Ahead for Progress in the 21st Century (MAP-21) requires the Department of Transportation to create a National Freight Network and establish a National Freight Policy Council. Specifically, MAP-21 requires the designation of the Primary Freight Network in the coming months. While the network is directed to encompass 27,000 miles of centerline roadway, as you have undoubtedly seen during your visit, this does not appropriately reflect the goods movement system in Southern California where we have a variety of east-west corridors in very close proximity. These parallel options spread truck traffic across several independent highways and thus, counted independently, might not compete well against other parts of the country where traffic is focused on one primary route. We hope that your Panel will recognize this and include it in your final report as an item that requires further clarification for the next reauthorization bill.

In addition, although MAP-21 recognized the critical importance of goods movement to the nation's economic recovery for the first time by including a freight title and by designating critical goods movement corridors, we know you are aware that it still lacks the funding to improve these corridors. We hope that through the development of a national freight policy and the designation of the aforementioned corridors, an effort to develop a dedicated Freight Trust Fund can progress in the next reauthorization bill as well. A dedicated trust fund with sufficient funding levels and sources would go a long way towards modernizing the nation's goods movement infrastructure and mitigating the impacts on local communities. This trust fund could advance projects such as gateways, border projects, highways, grade separations, freight/passenger rail projects with co-benefits, as well as port and intermodal projects. It is also important to tie project funding to performance measures which could include congestion, air quality, community mitigation, and the extent to which freight related emissions are reduced in federal non-attainment areas.

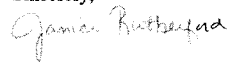
An increased federal role in funding these projects is long overdue. Local agencies, along with the State of California, have increasingly been carrying the burden of funding goods movement mitigation projects. SANBAG has been aggressively attempting to maintain mobility for both people and goods traveling through and within our county. Currently, we are either under construction or soon will be under construction on goods movement related projects totaling \$1.03 billion, including 8 grade separations, 4 goods movement related highway interchanges, 1 major highway project, and a major rail-to-rail grade separation project. Federal funding accounts for only 20% of the investment on this portion of the national goods movement system.

Two of the largest projects included in that number are projects at the junction of Interstates 15 and 215 in Devore, California, and the Colton Crossing rail grade separation project. The Devore project is helping to address one of the worst grade-related bottlenecks in the nation, particularly congested with trucks carrying freight through to other parts of the country. The combined state and local investment in this project is \$259.2 million, or 80% of the total project cost. On the rail side, the Colton Crossing project is a major effort to grade separate the Union Pacific and BNSF tracks in San Bernardino County at one of the busiest at-grade rail-to-rail crossings in the country. The project's \$102 million cost was 67% funded by state and private sources.

Another unique situation faced by Southern California is the shared use of track capacity between freight and passenger rail. The San Bernardino County line for Metrolink service between San Bernardino and Los Angeles is currently at capacity for passenger service and cannot be expanded without additional capital improvements to the system and resolution of issues regarding liability. This shared capacity is also driving Southern California to lead the nation in the implementation of Positive Train Control to further enhance the safety of our rail system. With significant local and state investments already being made to mitigate the impacts of goods movement and increase safety, absent a more substantial federal funding role, the remaining funds are insufficient to build freight capacity without limiting passenger rail service.

Thank you again for the opportunity to host the Panel on 21st Century Freight Transportation in San Bernardino County and for your attention to the goods movement challenges in Southern California. We look forward to working with you as you develop your final report and develop recommendations for the next reauthorization bill.

Sincerely,

A handwritten signature in cursive script that reads "Janice Rutherford".

JANICE RUTHERFORD

President, San Bernardino Associated Governments

cc: Members of the Panel on 21st Century Freight Transportation
Members of the House Transportation and Infrastructure Committee
San Bernardino County Federal Delegation
Van Scoyoc Associates



South Coast Air Quality Management District

21865 Copley Drive, Diamond Bar, CA 91765-4178
(909) 396-2000 • www.aqmd.gov

June 7, 2013

Hon. John J. Duncan, Jr., Chair
House Panel on 21st Century Freight Transportation
2207 Rayburn House Office Building
Washington, DC 20510

Re: House Panel on 21st Century Freight Transportation

Dear Chairman Duncan:

It was our pleasure to have South Coast Air Quality Management District staff members to escort you, Ranking Member Nadler, and Congressman Sires back to Long Beach following your panel hearing held May 30th in San Bernardino.

Understandably it was a long day for all of you; however I trust that the presentations on the air quality impacts of freight in the Southern California region and the advanced transportation projects we are involved with were informative. Specifically, they sought to broaden your awareness of freight movement impacts, as it pertains to the mobile source pollution it generates, which disproportionately impacts our environment and the health of local residents.

During the hearing on "How Southern California Freight Transportation Challenges Impact the Nation," you invited the witnesses and the public to submit specific recommendations on ways to improve goods movement in Southern California. Enclosed is a listing of specific recommendations that we believe would be useful.

I hope you and the Special Panel will consider these points as you make your recommendations to Chairman Shuster. Thank you.

Sincerely,

Barry R. Walenstein, D.Env.
Executive Officer

cc: Rep. Jerrold Nadler, Ranking Member, House Panel on 21st Century Freight Transportation
 ✓ Rep. Bill Shuster, Chair, House Transportation and Infrastructure Committee
 Rep. Nick J. Rahall, II, Ranking Member, House Transportation and Infrastructure Committee
 Rep. Gary Miller, Member, House Panel on 21st Century Freight Transportation
 Rep. Rick Crawford, Member, House Panel on 21st Century Freight Transportation
 Rep. Richard Hanna, Member, House Panel on 21st Century Freight Transportation
 Rep. Daniel Webster, Member, House Panel on 21st Century Freight Transportation
 Rep. Markwayne Mullin, Member, House Panel on 21st Century Freight Transportation
 Rep. Corrine Brown, Member, House Panel on 21st Century Freight Transportation
 Rep. Daniel Lipinski, Member, House Panel on 21st Century Freight Transportation
 Rep. Albio Sires, Member, House Panel on 21st Century Freight Transportation
 Rep. Janice Hahn, Member, House Panel on 21st Century Freight Transportation
 Rep. Grace Napolitano, Member, House Transportation and Infrastructure Committee



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**Recommendation on Improving the Efficient Movement of Goods
 While Minimizing Impacts on Local Communities**

The Nation's Goods Movement Chain Must be Cleaner and More Efficient

Our nation's goods movement chain plays a critical role in our country's economy. As it continues to expand, we need to make the goods movement chain both more efficient and cleaner. Southern California is the country's largest containerized freight gateway, a position that provides enormous regional and national economic benefits. However, freight transport is also the largest source of air pollution impacting our region's ability to attain federal air quality standards.

The South Coast Air Quality Management District, the clean air agency for the nation's most polluted region, Southern California, has worked collaboratively with others to develop transportation strategies that simultaneously provide benefits for mobility and the environment. We urge that federal freight policy take a similar approach by including provisions that will improve the efficient movement of goods between highways, ports, inland waterways, railroads, air carriers, and pipelines in ways that also benefit air quality, local communities, energy security and other needs. The following are some ways to accomplish this:

- **Clearing Bottlenecks while Decreasing Environmental Impacts** - Clearing bottlenecks on our nation's highways usually means increasing capacity that can have adverse air quality impacts on nearby communities, and generate local opposition. But there are solutions such as zero-emission technologies that can increase capacity while decreasing local air pollution and greenhouse gas emissions.

For example, SCAQMD, along with private and public stakeholders, is funding development and demonstration of a project to show how heavy-duty hybrid trucks could effectively transport freight in zero-emission electric mode. The trucks would be powered via catenary wires placed along that corridor, and powered by natural gas, fuel cell or diesel off that corridor. This is one example of a technology with potential to allow expanded freight capacity while reducing pollution impacts and improving energy security and cost certainty.

- **Growing Green** - Our ports have recognized that to grow, they must grow green. They have thus adopted a roadmap to develop and deploy zero-emission cargo handling and other freight movement technologies. Similarly, the recently adopted Southern California Association of Governments Regional Transportation Plan includes a long-term effort to deploy zero and near-zero emission freight movement technologies region-wide in both the on-road and rail sectors.

For example, the plan includes truck lanes along I-710 from the ports to Downtown Los Angeles, and eventually along SR-60 from Los Angeles to the Inland Empire, which would be dedicated to zero-emission trucks. Such clean technology freight corridors can improve mobility while addressing public concerns about capacity-enhancing freight infrastructure.

- **Footprints for the Future** - We should look for opportunities to set up a footprint in the construction phase to enable the use of future cleaner technologies (electric catenary wires, for instance) without later running into a huge cost to rebuild the infrastructure in order to accommodate a newer technology. The Alameda Corridor is an example where this approach was taken to accommodate future rail electrification.
- **Consensus Solutions** – There are a number of projects that have broad public support, but if provided funding could create a variety of co-benefits. These include on-dock railyards at the ports and grade separations on key freight rail corridors.
- **National Fueling Infrastructure** – The federal government can and should provide funding, incentives or develop public-private partnerships to ensure that, along major freight corridors, there is infrastructure to fuel all types of vehicles (light, medium and heavy duty) powered by various clean alternative fuels (electric, hydrogen fuel cell, etc.). We can move toward cleaner trucks if there is a clear means to refuel the vehicles along their routes.
- **Cleaner Rail** - Incentives, such as tax incentives, should be considered to spur freight and passenger railroads to replace older heavier polluting locomotive engines with cleaner Tier 4 locomotives, and – ultimately -- with technologies powered by electricity or alternative fuels that achieve emissions levels substantially below Tier 4.
- **Electric Rate Structure** - We are very close to the commercialization of long haul heavy-duty electric trucks and, possibly, a move toward electric locomotives. But if the rate structure for powering these technologies does not pencil out, such actions will be impeded. The electric rate structure, especially for goods movement, should be examined and modified so that it incentivizes the cleanest technologies.
- **Coordinated and Inclusive Planning** - Transportation, energy, air quality and climate and other (e.g. military procurement) planning should be coordinated to maximize co-benefits from single investments. Such actions should, for example, seek to foster markets for the cleanest freight transportation technologies.

If you would like more information on any of these recommendations, please contact Lisha Smith, Deputy Executive Officer of the South Coast Air Quality Management District, at (909) 396-3242. Thank you.